

SA 1630. Ms. MURKOWSKI submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1631. Mr. ROBERTS (for himself, Mr. THUNE, and Mr. GRASSLEY) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1632. Mr. ROBERTS submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1633. Mr. ISAKSON (for himself, Mr. PERDUE, Mr. GRAHAM, Mr. SCOTT, Mr. SHELBY, and Mr. STRANGE) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1634. Mr. DAINES submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1635. Mr. DURBIN submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1636. Mr. DURBIN submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1637. Mr. MCCONNELL (for Mr. HOEVEN) proposed an amendment to the bill S. 254, to amend the Native American Programs Act of 1974 to provide flexibility and reauthorization to ensure the survival and continuing vitality of Native American languages.

SA 1638. Mr. MCCONNELL (for Mr. HOEVEN) proposed an amendment to the bill S. 669, to authorize the Secretary of the Interior to assess sanitation and safety conditions at Bureau of Indian Affairs facilities that were constructed to provide affected Columbia River Treaty tribes access to traditional fishing grounds and expend funds on construction of facilities and structures to improve those conditions, and for other purposes.

SA 1639. Mr. GARDNER submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table.

SA 1640. Mr. GARDNER submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1641. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1642. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1643. Mr. BROWN (for himself, Mr. DURBIN, and Mrs. FEINSTEIN) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1644. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1645. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1646. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1647. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1648. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1649. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1650. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1651. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1652. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1653. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1654. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1655. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1656. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1657. Mr. THUNE (for himself, Mr. GRASSLEY, Mr. ROBERTS, Mr. ISAKSON, and Mr. INHOFE) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1658. Mr. THUNE submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1659. Mr. THUNE submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1660. Mr. THUNE submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1661. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

TEXT OF AMENDMENTS

SA 1588. Mrs. ERNST submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . ELIMINATION OF DEDUCTION FOR LIVING EXPENSES INCURRED BY MEMBERS OF CONGRESS.

(a) IN GENERAL.—Subsection (a) of section 162 of the Internal Revenue Code of 1986 is amended in the matter following paragraph (3) by striking “in excess of \$3,000”.

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

SA 1589. Mrs. ERNST (for herself and Mrs. CAPITO) submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . CREDIT FOR WORKING FAMILY CAREGIVERS.

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

“SEC. 25E. WORKING FAMILY CAREGIVERS.

“(a) ALLOWANCE OF CREDIT.—In the case of an eligible caregiver, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 30 percent of the qualified expenses paid by the taxpayer during the taxable year to the extent that such expenses exceed \$2,000.

“(b) LIMITATION.—

“(1) IN GENERAL.—The amount allowed as a credit under subsection (a) for the taxable year shall not exceed \$3,000.

“(2) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after 2018, the dollar amount contained in paragraph (1) shall be increased by an amount equal to the product of—

“(A) such dollar amount, and

“(B) the medical care cost adjustment determined under section 213(d)(10)(B)(ii) for the calendar year in which the taxable year begins, determined by substituting ‘2017’ for ‘1996’ in subclause (II) thereof.

If any increase determined under the preceding sentence is not a multiple of \$50, such increase shall be rounded to the next lowest multiple of \$50.

“(c) ELIGIBLE CAREGIVER.—For purposes of this section, the term ‘eligible caregiver’ means an individual who—

“(1) during the taxable year pays or incurs qualified expenses in connection with providing care for a qualified care recipient, and

“(2) has earned income (as defined in section 32(c)(2)) for the taxable year in excess of \$7,500.

“(d) QUALIFIED CARE RECIPIENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified care recipient’ means, with respect to any taxable year, any individual who—

“(A) is the spouse of the eligible caregiver, or any other person who bears a relationship to the eligible caregiver described in any of subparagraphs (A) through (H) of section 152(d)(2), and

“(B) has been certified, before the due date for filing the return of tax for the taxable year, by a licensed health care practitioner (as defined in section 7702B(c)(4)) as being an individual with long-term care needs described in paragraph (3) for a period—

“(i) which is at least 180 consecutive days, and

“(ii) a portion of which occurs within the taxable year.

“(2) PERIOD FOR MAKING CERTIFICATION.—Notwithstanding paragraph (1)(B), a certification shall not be treated as valid unless it

is made within the 39½-month period ending on such due date (or such other period as the Secretary prescribes).

“(3) INDIVIDUALS WITH LONG-TERM CARE NEEDS.—An individual is described in this paragraph if the individual meets any of the following requirements:

“(A) The individual is at least 6 years of age and—

“(i) is unable to perform (without substantial assistance from another individual) at least 2 activities of daily living (as defined in section 7702B(c)(2)(B)) due to a loss of functional capacity, or

“(ii) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform, without reminding or cuing assistance, at least 1 activity of daily living (as so defined) or to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.

“(B) The individual is at least 2 but not 6 years of age and is unable due to a loss of functional capacity to perform (without substantial assistance from another individual) at least 2 of the following activities: eating, transferring, or mobility.

“(C) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner trained to address the individual's condition to be available if the individual's parents or guardians are absent.

“(e) QUALIFIED EXPENSES.—For purposes of this section—

“(1) IN GENERAL.—Subject to paragraph (4), the term ‘qualified expenses’ means expenditures for goods, services, and supports that—

“(A) assist a qualified care recipient with accomplishing activities of daily living (as defined in section 7702B(c)(2)(B)) and instrumental activities of daily living (as defined in section 1915(k)(6)(F) of the Social Security Act (42 U.S.C. 1396n(k)(6)(F))), and

“(B) are provided solely for use by such qualified care recipient.

“(2) ADJUSTMENT FOR OTHER TAX BENEFITS.—The amount of qualified expenses otherwise taken into account under paragraph (1) with respect to an individual shall be reduced by the sum of any amounts paid for the benefit of such individual for the taxable year which are—

“(A) taken into account under section 21 or 213, or

“(B) excluded from gross income under section 129, 223(f), or 529A(c)(1)(B).

“(3) GOODS, SERVICES, AND SUPPORTS.—For purposes of paragraph (1), goods, services, and supports (as defined by the Secretary) shall include—

“(A) human assistance, supervision, cuing and standby assistance,

“(B) assistive technologies and devices (including remote health monitoring),

“(C) environmental modifications (including home modifications),

“(D) health maintenance tasks (such as medication management),

“(E) information,

“(F) transportation of the qualified care recipient,

“(G) non-health items (such as incontinence supplies), and

“(H) coordination of and services for people who live in their own home, a residential setting, or a nursing facility, as well as the cost of care in these or other locations.

“(4) QUALIFIED EXPENSES FOR ELIGIBLE CAREGIVERS.—For purposes of paragraph (1), the following shall be treated as qualified expenses if paid or incurred by an eligible caregiver:

“(A) Expenditures for respite care for a qualified care recipient.

“(B) Expenditures for counseling, support groups, or training relating to caring for a qualified care recipient.

“(C) Lost wages for unpaid time off due to caring for a qualified care recipient as verified by an employer.

“(D) Travel costs of the eligible caregiver related to caring for a qualified care recipient.

“(E) Expenditures for technologies, as determined by the Secretary, that assist an eligible caregiver in providing care for a qualified care recipient.

“(5) HUMAN ASSISTANCE.—The term ‘human assistance’ includes the costs of a direct care worker.

“(6) DOCUMENTATION.—An expense shall not be taken into account under this section unless the eligible caregiver substantiates such expense under such regulations or guidance as the Secretary shall provide.

“(7) MILEAGE RATE.—For purposes of this section, the mileage rate for the use of a passenger automobile shall be the standard mileage rate used to calculate the deductible costs of operating an automobile for medical purposes. Such rate may be used in lieu of actual automobile-related travel expenses.

“(8) COORDINATION WITH ABLE ACCOUNTS.—Qualified expenses for a taxable year shall not include contributions to an ABLE account (as defined in section 529A).

“(f) PHASE OUT BASED ON ADJUSTED GROSS INCOME.—For purposes of this section—

“(1) IN GENERAL.—The amount of the credit allowable under subsection (a) shall be reduced (but not below zero) by \$100 for each \$1,000 (or fraction thereof) by which the taxpayer's modified adjusted gross income exceeds the threshold amount.

“(2) MODIFIED ADJUSTED GROSS INCOME.—The term ‘modified adjusted gross income’ means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.

“(3) THRESHOLD AMOUNT.—The term ‘threshold amount’ means—

“(A) \$150,000 in the case of a joint return, and

“(B) \$75,000 in any other case.

“(4) INDEXING.—In the case of any taxable year beginning in a calendar year after 2018, each dollar amount contained in paragraph (3) shall be increased by an amount equal to the product of—

“(A) such dollar amount, and

“(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 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(5) ROUNDING RULE.—If any increase determined under paragraph (4) is not a multiple of \$50, such increase shall be rounded to the next lowest multiple of \$50.

“(g) IDENTIFICATION OF ELIGIBLE CAREGIVER WITH CARE RECIPIENT (QUALIFIED CARE RECIPIENT) IDENTIFICATION REQUIREMENT.—No credit shall be allowed under this section to a taxpayer with respect to any qualified care recipient unless the taxpayer includes the name and taxpayer identification number of such individual, and the identification number of the licensed health care practitioner certifying such individual, on the return of tax for the taxable year.”

(b) CLERICAL AMENDMENT.—The table of sections for subpart A of part IV of subchapter A of chapter 1 of such Code is amended by inserting after the item relating to section 25D the following new item:

“Sec. 25E. Working family caregivers.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1590. Ms. COLLINS submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11042 and insert the following:

SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) IN GENERAL.—Subsection (b) of section 164 is amended by adding at the end the following new paragraph:

“(6) SUSPENSION OF INDIVIDUAL DEDUCTIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of an individual and a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) foreign real property taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) shall not be taken into account under subsection (a)(1),

“(B) the aggregate amount of taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) taken into account under subsection (a)(1) for any taxable year shall not exceed \$10,000 (\$5,000 in the case of a married individual filing a separate return),

“(C) subsection (a)(2) shall only apply to taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212,

“(D) subsection (a)(3) shall not apply to State and local taxes, and

“(E) paragraph (5) shall not apply.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1591. Ms. COLLINS submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11042 and insert the following:

SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) IN GENERAL.—Subsection (b) of section 164 is amended by adding at the end the following new paragraph:

“(6) SUSPENSION OF INDIVIDUAL DEDUCTIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of an individual and a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) foreign real property taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) shall not be taken into account under subsection (a)(1),

“(B) the aggregate amount of taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) taken into account under subsection (a)(1) for any taxable year shall not exceed \$10,000 (\$5,000 in the case of a married individual filing a separate return),

“(C) subsection (a)(2) shall only apply to taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212,

“(D) subsection (a)(3) shall not apply to State and local taxes, and

“(E) paragraph (5) shall not apply.”

(b) OFFSETS.—

(1) ADJUSTMENT OF HIGHEST RATE BRACKET.—

(A) JOINT RETURNS.—The last row of the table contained in section 1(j)(2)(A), as added by section 11001(a), is amended to read as follows:

“Over \$1,000,000 \$301,479, plus 39.6% of the excess over \$1,000,000.”

(B) HEADS OF HOUSEHOLDS.—The last row of the table contained in section 1(j)(2)(B), as added by section 11001(a), is amended to read as follows:

“Over \$500,000 \$149,348, plus 39.6% of the excess over \$500,000.”

(C) UNMARRIED INDIVIDUALS.—The last row of the table contained in section 1(j)(2)(C), as added by section 11001(a), is amended to read as follows:

“Over \$500,000 \$150,739.50, plus 39.6% of the excess over \$500,000.”

(D) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—The last row of the table contained in section 1(j)(2)(D), as added by section 11001(a), is amended to read as follows:

“Over \$500,000 \$150,739.50, plus 39.6% of the excess over \$500,000.”

(2) CORPORATE TAX RATE.—

(A) IN GENERAL.—Section 11(b), as amended by this Act, is amended by striking “20 percent” and inserting “21 percent”.

(B) EFFECTIVE DATE.—The amendment made by this paragraph shall apply to taxable years beginning after December 31, 2018.

(C) EFFECTIVE DATE.—Except as provided in subsection (b)(2)(B), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1592. Mr. LANKFORD submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . ELIMINATING FEDERAL TAX SUBSIDIZATION OF PROFESSIONAL SPORTS STADIUMS.

(a) TREATMENT OF CERTAIN OBLIGATIONS FINANCING PROFESSIONAL SPORTS STADIUMS AS PRIVATE ACTIVITY BONDS.—Section 141(b) is amended by adding at the end the following new paragraph:

“(10) SPECIAL RULE FOR PROFESSIONAL SPORTS STADIUMS.—

“(A) IN GENERAL.—In the case of any issue any proceeds of which are to be used to provide a professional sports stadium, such issue shall be treated as meeting the private security or payment test of paragraph (2).

“(B) PROFESSIONAL SPORTS STADIUM.—For purposes of this paragraph, the term ‘professional sports stadium’ means any facility (and appurtenant real property) which, during at least 5 days during any calendar year, is used as a stadium or arena for professional sports exhibitions, games, or training.”

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

SA 1593. Mr. LANKFORD submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . ALLOWING ABOVE-THE-LINE DEDUCTIONS FOR CHARITABLE CONTRIBUTIONS FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.

(a) IN GENERAL.—Subsection (a) of section 62 is amended by inserting after paragraph (21) the following new paragraph:

“(22) CHARITABLE CONTRIBUTIONS FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—In the case of an individual who does not elect to itemize his deductions for the taxable year, the deduction allowed by section 170. The preceding sentence shall not apply to any deduction in excess of an amount equal to the product of $\frac{1}{3}$ and the standard deduction for such individual.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to taxable years beginning after the date of enactment of this Act.

SA 1594. Mr. GRAHAM (for himself and Mr. ISAKSON) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . MODIFICATIONS OF CREDIT FOR PRODUCTION FROM ADVANCED NUCLEAR POWER FACILITIES.

(a) TREATMENT OF UNUTILIZED LIMITATION AMOUNTS.—Section 45J(b) is amended—

(1) in paragraph (4), by inserting “or any amendment to” after “enactment of”, and

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

“(5) ALLOCATION OF UNUTILIZED LIMITATION.—

“(A) IN GENERAL.—Any unutilized national megawatt capacity limitation shall be allocated by the Secretary under paragraph (3) as rapidly as is practicable after December 31, 2020—

“(i) first to facilities placed in service on or before such date to the extent that such facilities did not receive an allocation equal to their full nameplate capacity, and

“(ii) then to facilities placed in service after such date in the order in which such facilities are placed in service.

“(B) UNUTILIZED NATIONAL MEGAWATT CAPACITY LIMITATION.—The term ‘unutilized national megawatt capacity limitation’ means the excess (if any) of—

“(i) 6,000 megawatts, over

“(ii) the aggregate amount of national megawatt capacity limitation allocated by the Secretary before January 1, 2021, reduced by any amount of such limitation which was allocated to a facility which was not placed in service before such date.

“(C) COORDINATION WITH OTHER PROVISIONS.—In the case of any unutilized national megawatt capacity limitation allocated by the Secretary pursuant to this paragraph—

“(i) such allocation shall be treated for purposes of this section in the same manner as an allocation of national megawatt capacity limitation, and

“(ii) subsection (d)(1)(B) shall not apply to any facility which receives such allocation.”

(b) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—

(1) IN GENERAL.—Section 45J is amended—
(A) by redesignating subsection (e) as subsection (f), and

(B) by inserting after subsection (d) the following new subsection:

“(e) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—

“(1) IN GENERAL.—If, with respect to a credit under subsection (a) for any taxable year—

“(A) the taxpayer would be a qualified public entity, and

“(B) such entity elects the application of this paragraph for such taxable year with respect to all (or any portion specified in such election) of such credit, the eligible project partner specified in such election (and not the qualified public entity) shall be treated as the taxpayer for purposes of this title with respect to such credit (or such portion thereof).

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) QUALIFIED PUBLIC ENTITY.—The term ‘qualified public entity’ means—

“(i) a Federal, State, or local government entity, or any political subdivision, agency, or instrumentality thereof,

“(ii) a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2), or

“(iii) a not-for-profit electric utility which has or had received a loan or loan guarantee under the Rural Electrification Act of 1936.

“(B) ELIGIBLE PROJECT PARTNER.—The term ‘eligible project partner’ means—

“(i) any person responsible for, or participating in, the design or construction of the advanced nuclear power facility to which the credit under subsection (a) relates,

“(ii) any person who participates in the provision of the nuclear steam supply system to the advanced nuclear power facility to which the credit under subsection (a) relates,

“(iii) any person who participates in the provision of nuclear fuel to the advanced nuclear power facility to which the credit under subsection (a) relates, or

“(iv) any person who has an ownership interest in such facility.

“(3) SPECIAL RULES.—

“(A) APPLICATION TO PARTNERSHIPS.—In the case of a credit under subsection (a) which is determined at the partnership level—

“(i) for purposes of paragraph (1)(A), a qualified public entity shall be treated as the taxpayer with respect to such entity’s distributive share of such credit, and

“(ii) the term ‘eligible project partner’ shall include any partner of the partnership.

“(B) TAXABLE YEAR IN WHICH CREDIT TAKEN INTO ACCOUNT.—In the case of any credit (or portion thereof) with respect to which an election is made under paragraph (1), such credit shall be taken into account in the first taxable year of the eligible project partner ending with, or after, the qualified public entity’s taxable year with respect to which the credit was determined.

“(C) TREATMENT OF TRANSFER UNDER PRIVATE USE RULES.—For purposes of section 141(b)(1), any benefit derived by an eligible project partner in connection with an election under this subsection shall not be taken into account as a private business use.”

(2) SPECIAL RULE FOR PROCEEDS OF TRANSFERS FOR MUTUAL OR COOPERATIVE ELECTRIC COMPANIES.—Section 501(c)(12) is amended by adding at the end the following new subparagraph:

“(I) In the case of a mutual or cooperative electric company described in this paragraph or an organization described in section 1381(a)(2), income received or accrued in connection with an election under section 45J(e)(1) shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.”

(c) EFFECTIVE DATES.—

(1) TREATMENT OF UNUTILIZED LIMITATION AMOUNTS.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2017.

SA 1595. Mr. GRAHAM submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13308.

SA 1596. Mr. GRAHAM submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13707.

SA 1597. Mr. GRAHAM submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13402.

SA 1598. Ms. COLLINS (for herself and Mr. PORTMAN) submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13611.

SA 1599. Mr. INHOFE (for himself, Mr. BLUNT, Mr. LANKFORD, and Mr. CRUZ) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 185, strike lines 1 through 6, and insert the following:

“(5) BUSINESS INTEREST.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘business interest’ means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

“(B) EXCEPTION FOR INTEREST ON PRE-2018 INDEBTEDNESS.—

“(i) IN GENERAL.—Business interest shall not include interest paid or accrued on indebtedness incurred by the taxpayer before January 1, 2018.

“(ii) SPECIAL RULES FOR REFINANCING AND DEBT INSTRUMENTS ALLOWING ADDITIONAL BORROWING.—Clause (i) shall not apply to—

“(I) interest on any indebtedness incurred after December 31, 2017, to refinance indebtedness described in clause (i), or

“(II) in the case of any debt instrument, credit facility, or other evidence of indebtedness under which additional indebtedness may be issued under the same terms, interest on any indebtedness incurred under such terms after December 31, 2017.

SA 1600. Mr. INHOFE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 187, between lines 21 and 22, insert the following:

“(v) any deduction allowable for depreciation, amortization, or depletion, but only if the amount of the taxpayer’s expenditures for property of a character subject to the allowance for depreciation, amortization, or depletion for the taxable year is at least 300 percent of the taxpayer’s adjusted taxable income for the taxable year determined without regard to this clause, and

SA 1601. Mr. INHOFE (for himself and Mr. BLUNT) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 187, between lines 21 and 22, insert the following:

“(v) any deduction allowable for depreciation, amortization, or depletion, and

SA 1602. Mr. INHOFE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13303 and insert the following:

SEC. 13303. TREATMENT OF LIKE-KIND EXCHANGES.

(a) IN GENERAL.—Section 1031(a) is amended by adding at the end the following new paragraph:

“(4) ADDITIONAL EXCEPTION FOR DISQUALIFIED BONUS DEPRECIATION PROPERTY.—

“(A) IN GENERAL.—This subsection shall not apply to any exchange in which the property received by the taxpayer is 100 percent bonus depreciation property.

“(B) 100 PERCENT BONUS DEPRECIATION PROPERTY.—For purposes of this paragraph, the term ‘100 percent bonus depreciation property’ mean any property—

“(i) which is qualified property (as defined in section 168(k)(2)), and

“(ii) an allowance of 100 percent or more of the adjusted basis of which was included in the depreciation deduction provided by section 167(a) for the taxable year in which such property was placed in service by the taxpayer.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to exchanges completed after December 31, 2017.

SA 1603. Mr. INHOFE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page ____, strike line ____, and insert the following:

“(9) SAFE HARBOR FOR DOMESTIC MEMBERS OF WORLDWIDE AFFILIATED GROUP.—

“(A) IN GENERAL.—In the case of a taxpayer which is a domestic corporation which is a member of a worldwide affiliated group, this subsection shall not apply to such taxpayer if the ratio of debt to equity of all domestic corporations which are members of such group does not exceed such ratio of all corporations which are members of such group.

“(B) RATIO OF DEBT TO EQUITY.—For purposes of this paragraph, the ratio of debt to equity means the ratio which total indebtedness bears to total equity, determined in the same manner as subsection (n).

“(C) DEFINITION AND SPECIAL RULE.—For purposes of this paragraph—

“(i) WORLDWIDE AFFILIATED GROUP.—The term ‘worldwide affiliated group’ has the same meaning given such term by subsection (n)(4)(A).

“(ii) DOMESTIC MEMBERS OF AFFILIATED GROUP TREATED AS 1 TAXPAYER.—The rule of subsection (n)(5) shall apply.

“(10) CROSS REFERENCES.—

SA 1604. Mr. INHOFE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ APPLICATION OF MEDICAID ASSET VERIFICATION PROGRAM TO ALL CATEGORIES OF APPLICANTS FOR MEDICAL ASSISTANCE.

(a) IN GENERAL.—Section 1940(b)(1)(A) of the Social Security Act (42 U.S.C. 1396w(b)(1)(A)) is amended by striking “on the basis of being aged, blind, or disabled”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the date of enactment of this Act.

(c) PHASE-IN IMPLEMENTATION.—

(1) IN GENERAL.—During the 180 day period that begins on the date of enactment of this Act, the Secretary of Health and Human Services shall require States to submit and implement an asset verification program under section 1940 of the Social Security Act (as amended by subsection (a)) in such manner as is designed to result in the application of such programs, in the aggregate for all such States, to enrollment of approximately, but not less than, the following percentage of enrollees, in the aggregate for all such States, by the end of the fiscal year involved:

(A) 12.5 percent by the end of fiscal year 2018.

(B) 25 percent by the end of fiscal year 2019.

(C) 50 percent by the end of fiscal year 2020.

(D) 75 percent by the end of fiscal year 2021.

(E) 100 percent by the end of fiscal year 2022.

(2) CONSIDERATION.—In selecting States under paragraph (1), the Secretary of Health and Human Services shall consult with the States involved and take into account the feasibility of implementing asset verification programs in each such State.

(3) CONSTRUCTION.—Nothing in paragraph (1) shall be construed as preventing a State from requesting, and the Secretary of Health and Human Services from approving, the implementation of an asset verification program in advance of the deadline otherwise established under such paragraph.

SA 1605. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11022 and insert the following:

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be

applied as provided in paragraphs (2) through (8).

“(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting ‘\$2,000’ for ‘\$1,000’.

“(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be—

“(A) in the case of a joint return, \$500,000, and

“(B) in the case of an individual who is not married or a married individual filing a separate return, \$250,000.

“(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting ‘18’ for ‘17’.

“(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

“(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by \$500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(6) PORTION OF CREDIT REFUNDABLE.—In lieu of subsection (d), the following provisions shall apply for purposes of the credit allowable under this section:

“(A) IN GENERAL.—The aggregate credits allowed to a taxpayer under subpart C shall be increased by the lesser of—

“(i) the credit which would be allowed under this section without regard to this paragraph and the limitation under section 26(a), or

“(ii) the amount by which the aggregate amount of credits allowed by this subpart (determined without regard to this paragraph) would increase if the limitation imposed by section 26(a) were increased by an amount equal to the sum of the taxpayer’s payroll taxes for the taxable year.

“(B) PAYROLL TAXES.—

“(i) IN GENERAL.—For purposes of subparagraph (A), the term ‘payroll taxes’ means, with respect to any taxpayer for any taxable year, the amount of the taxes imposed by—

“(I) section 1401 on the self-employment income of the taxpayer for the taxable year,

“(II) section 3101 on wages received by the taxpayer during the calendar year in which the taxable year begins,

“(III) section 3111 on wages paid by an employer with respect to employment of the taxpayer during the calendar year in which the taxable year begins,

“(IV) sections 3201(a) and 3211(a) on compensation received by the taxpayer during the calendar year in which the taxable year begins, and

“(V) section 3221(a) on compensation paid by an employer with respect to services rendered by the taxpayer during the calendar year in which the taxable year begins.

“(ii) COORDINATION WITH SPECIAL REFUND OF PAYROLL TAXES.—The term ‘payroll taxes’ shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

“(iii) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in subclause (II) or (III) of clause (i) shall be treated as taxes referred to in such clause.

“(C) EXCEPTION FOR TAXPAYERS EXCLUDING FOREIGN EARNED INCOME.—Subparagraph (A) shall not apply to any taxpayer for any taxable year if such taxpayer elects to exclude

any amount from gross income under section 911 for such taxable year.

“(7) ADJUSTMENT FOR INFLATION.—

“(A) IN GENERAL.—In the case of a taxable year beginning after 2017, the \$2,000 amount in paragraph (2) 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 the taxable year begins.

“(B) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the next highest multiple of \$100.

“(8) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of the preceding sentence, 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 to a citizen of the United States or is issued 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.”

(b) INCREASE IN CORPORATE TAX RATE.—Subsection (b) of section 11, as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “22 percent”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1606. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11022 and insert the following:

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (8).

“(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting ‘\$2,000’ for ‘\$1,000’.

“(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be—

“(A) in the case of a joint return, \$500,000, and

“(B) in the case of an individual who is not married or a married individual filing a separate return, \$250,000.

“(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting ‘18’ for ‘17’.

“(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

“(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by \$500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a

dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(6) PORTION OF CREDIT REFUNDABLE.—Subsection (d)(1)(B)(i) shall be applied by substituting—

“(A) ‘15.3 percent’ for ‘15 percent’, and

“(B) ‘\$0’ for ‘\$3,000’.

“(7) ADJUSTMENT FOR INFLATION.—

“(A) IN GENERAL.—In the case of a taxable year beginning after 2017, the \$2,000 amount in paragraph (2) 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 the taxable year begins.

“(B) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the next highest multiple of \$100.

“(8) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of the preceding sentence, 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 to a citizen of the United States or is issued 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.”

(b) INCREASE IN CORPORATE TAX RATE.—Subsection (b) of section 11, as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “22 percent”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1607. Mr. GARDNER submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part IV of subtitle A of title I, insert the following:

SEC. 11033. CONSOLIDATION OF EDUCATION SAVINGS RULES.

(a) NO NEW CONTRIBUTIONS TO COVERDELL EDUCATION SAVINGS ACCOUNTS.—Section 530(b)(1)(A) is amended—

(1) by striking “or” at the end of clause (ii).

(2) by striking the period at the end of clause (iii) and inserting “, or”, and

(3) by adding at the end the following new clause:

“(iv) except in the case of rollover contributions, after December 31, 2017.”

(b) ROLLOVERS FROM COVERDELL EDUCATION SAVINGS ACCOUNTS TO QUALIFIED TUITION PROGRAMS.—Section 530(d)(5) is amended—

(1) by inserting “or a qualified tuition program (as defined in section 529(b))” after “into another Coverdell education savings account”, and

(2) by inserting “(by purchase or contribution)” after “is paid”.

(c) DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS FOR CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—Section 529(e)(3) is amended by adding at the end the following new subparagraph:

“(C) CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—The term ‘qualified higher education expenses’ shall include books, supplies, and equipment required for the enrollment or attendance of

a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).”.

(d) SPECIAL RULES FOR 529 PROGRAMS WITH RESPECT TO ELEMENTARY AND SECONDARY TUITION AND QUALIFIED EARLY EDUCATION EXPENSES.—Section 529(e)(3), as amended by subsection (c), is amended by adding at the end the following new subparagraph:

“(D) SPECIAL RULES PERMITTING LIMITED TREATMENT OF ELEMENTARY AND SECONDARY TUITION AND QUALIFIED EARLY EDUCATION EXPENSES.—

“(i) IN GENERAL.—Except as provided in clause (ii)—

“(I) expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school, and

“(II) qualified early education expenses, shall be treated as qualified higher education expenses.

“(ii) LIMITATION.—If the aggregate amount of cash distributions from all qualified tuition programs described in subsection (b)(1)(A)(ii) with respect to a beneficiary for expenses described in clause (i) during any taxable year exceeds \$10,000, such excess shall be treated for purposes of subsection (c)(3) as distributions in excess of the qualified higher education expenses of the beneficiary.

“(iii) QUALIFIED EARLY EDUCATION EXPENSES.—For purposes of this subparagraph, the term ‘qualified early education expenses’ means expenses for providing educational and other care to a child under age 5, as determined under the law of the State, pursuant to attendance at a school or facility licensed in the State for such purpose.”.

(e) DEDUCTION FOR CONTRIBUTIONS FOR ELEMENTARY AND SECONDARY TUITION AND QUALIFIED EARLY EDUCATION EXPENSES.—Section 529(e)(3)(D), as added by subsection (d), is amended by adding at the end the following new clause:

“(iv) DEDUCTION FOR CONTRIBUTIONS.—There shall be allowed a deduction, as if allowed under part VI of subchapter A, in an amount equal to any contribution made during the taxable year to a qualified tuition program described in subsection (b)(1)(A)(ii) which is designated for the qualified early education expenses of a beneficiary, except that the aggregate of the amounts taken into account with respect to the same beneficiary shall not exceed \$10,000.”.

(f) CAREER AND TECHNICAL EDUCATION EXPENSES.—Section 529(e)(3), as amended by subsections (c) and (d), is amended by adding at the end the following new subparagraph:

“(E) TREATMENT OF CAREER AND TECHNICAL EDUCATION EXPENSES.—Such term shall include expenses for books, supplies, and equipment required for enrollment or attendance of a designated beneficiary in a career and technical education program (as defined in section 3 of the Carl D. Perkins Career and Technical Education Act of 2006 (20 U.S.C. 2302)).”.

(g) INDUSTRY INTERMEDIARY EDUCATION EXPENSES.—Section 529(e)(3), as amended by the preceding subsections, is amended by adding at the end the following new subparagraph:

“(F) TREATMENT OF INDUSTRY INTERMEDIARY EDUCATION EXPENSES.—

“(i) IN GENERAL.—Such term shall include expenses for books, supplies, and equipment required for enrollment or attendance of a designated beneficiary in an industry intermediary education program.

“(ii) INDUSTRY INTERMEDIARY EDUCATION PROGRAM.—For purposes of this subparagraph, the term ‘industry intermediary education program’ means any entity that—

“(I) in order to accelerate apprenticeship program development and help establish new

apprenticeship partnerships at the national, State, or regional level, serves as a conduit between an employer and an entity, such as an industry partner, the Department of Labor, or a State agency responsible for workforce development programs,

“(II) demonstrates a capacity to work with employers and other key partners to identify workforce trends and foster public-private funding to establish new apprenticeship programs, and

“(III) is a business, a consortium of businesses, a business-related nonprofit organization (including industry associations and business federations), a private organization functioning as a workforce intermediary for the express purpose of serving the needs of businesses (including community-based nonprofit service providers and industry-aligned training providers), or a consortium of any of such entities.”.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made and distributions paid after December 31, 2017.

SA 1608. Mr. GARDNER submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part IV of subtitle A of title I, insert the following:

SEC. 11033. CONSOLIDATION OF EDUCATION SAVINGS RULES.

(a) NO NEW CONTRIBUTIONS TO COVERDELL EDUCATION SAVINGS ACCOUNT.—Section 530(b)(1)(A) is amended to read as follows:

“(A) Except in the case of rollover contributions, no contribution will be accepted after December 31, 2017.”.

(b) LIMITED DISTRIBUTION ALLOWED FOR ELEMENTARY AND SECONDARY TUITION.—

(1) IN GENERAL.—Section 529(c) is amended by adding at the end the following new paragraph:

“(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this subsection to the term ‘qualified higher education expense’ shall include a reference to expenses for tuition in connection with enrollment at an elementary or secondary school.”.

(2) LIMITATION.—Section 529(e)(3)(A) is amended by adding at the end the following:

“The amount of cash distributions from all qualified tuition programs described in subsection (b)(1)(A)(ii) with respect to a beneficiary during any taxable year shall, in the aggregate, include not more than \$10,000 in expenses for tuition incurred during the taxable year in connection with the enrollment or attendance of the beneficiary as an elementary or secondary school student at a public, private, or religious school.”.

(c) ROLLOVERS TO QUALIFIED TUITION PROGRAMS PERMITTED.—Section 530(d)(5) is amended by inserting “, or into (by purchase or contribution) a qualified tuition program (as defined in section 529),” after “into another Coverdell education savings account”.

(d) DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS FOR CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—Section 529(e)(3) is amended by adding at the end the following new subparagraph:

“(C) CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—The term ‘qualified higher education expenses’ shall include books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to contributions made after December 31, 2017.

(2) ROLLOVERS TO QUALIFIED TUITION PROGRAMS.—The amendments made by subsection (b) shall apply to distributions after December 31, 2017.

SA 1609. Mr. GARDNER submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part IV of subtitle C of title I, add the following:

SEC. 13311. ALLOWANCE OF DEDUCTIONS AND CREDITS RELATING TO EXPENDITURES IN CONNECTION WITH MARIJUANA SALES CONDUCTED IN COMPLIANCE WITH STATE LAW.

(a) IN GENERAL.—Section 280E is amended by inserting before the period at the end the following: “, unless such trade or business consists of marijuana sales conducted in compliance with State law”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply with respect to taxable years ending after the date of the enactment of this Act.

SA 1610. Mr. GARDNER submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. —. TAX-FREE PRODUCTION OF KOMBUCHA.

(a) EXCEPTION FROM DEFINITION OF BREWER.—Subsection (d) of section 5052 is amended to read as follows:

“(d) BREWER.—

“(1) IN GENERAL.—For purposes of this chapter, the term ‘brewer’ means any person who brews beer or produces beer for sale.

“(2) EXCEPTION.—The term ‘brewer’ shall not include any person who—

“(A) produces only beer exempt from tax under subsection (e) of section 5053, or

“(B) produces only kombucha exempt from tax under subsection (i) of such section.”.

(b) EXEMPTION FROM TAX.—Section 5053 is amended—

(1) by redesignating subsection (i) as subsection (j), and

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

“(i) PRODUCTION OF KOMBUCHA.—

“(1) IN GENERAL.—Subject to regulation prescribed by the Secretary, any person may, without payment of tax, produce kombucha for consumption or sale.

“(2) DEFINITION.—For purposes of this chapter, the term ‘kombucha’ means a beverage which—

“(A) is fermented solely by a symbiotic culture of bacteria and yeast,

“(B) contains not more than 1.25 percent of alcohol by volume,

“(C) is sold or offered for sale as kombucha, and

“(D) is derived from—

“(i) sugar, malt or malt substitute, tea, or coffee, and

“(ii) not more than 20 percent other wholesome ingredients.”.

SA 1611. Ms. COLLINS submitted an amendment intended to be proposed by

her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle A of title I, insert the following:

SEC. 11030. TEMPORARY REDUCTION IN MEDICAL EXPENSE DEDUCTION FLOOR.

(a) IN GENERAL.—Subsection (f) of section 213 is amended to read as follows:

“(f) SPECIAL RULES FOR 2013 THROUGH 2018.—In the case of any taxable year—

“(1) beginning after December 31, 2012, and ending before January 1, 2017, in the case of a taxpayer if such taxpayer or such taxpayer’s spouse has attained age 65 before the close of such taxable year, and

“(2) beginning after December 31, 2016, and ending before January 1, 2019, in the case of any taxpayer,

subsection (a) shall be applied with respect to a taxpayer by substituting ‘7.5 percent’ for ‘10 percent’.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2016.

SA 1612. Ms. COLLINS submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle A of title I, insert the following:

SEC. 2. REFUNDABILITY OF CHILD AND DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—The Internal Revenue Code of 1986 is amended—

(1) by redesignating section 21 as section 36C, and

(2) by moving section 36C, as so redesignated, from subpart A of part IV of subchapter A of chapter 1 to the location immediately before section 37 in subpart C of part IV of subchapter A of chapter 1.

(b) ADJUSTMENT FOR INFLATION.—Section 36C, as redesignated by subsection (a), is amended—

(1) by redesignating subsection (f) as subsection (g), and

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

“(f) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 2017, each of the dollar amounts in subsections (a)(2) and (c) 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.

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

(c) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 23(f) is amended by striking “21(e)” and inserting “36C(e)”.

(2) Paragraph (6) of section 35(g) is amended by striking “21(e)” and inserting “36C(e)”.

(3) Paragraph (1) of section 36C(a) (as redesignated by subsection (a)) is amended by striking “this chapter” and inserting “this subtitle”.

(4) Subparagraph (C) of section 129(a)(2) is amended by striking “section 21(e)” and inserting “section 36C(e)”.

(5) Paragraph (2) of section 129(b) is amended by striking “section 21(d)(2)” and inserting “section 36C(d)(2)”.

(6) Paragraph (1) of section 129(e) is amended by striking “section 21(b)(2)” and inserting “section 36C(b)(2)”.

(7) Subsection (e) of section 213 is amended by striking “section 21” and inserting “section 36C”.

(8) Subparagraph (H) of section 6213(g)(2) is amended by striking “section 21” and inserting “section 36C”.

(9) Subparagraph (L) of section 6213(g)(2) is amended by striking “section 21, 24, or 32,” and inserting “section 24, 32, or 36C.”

(10) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C,” after “36B.”

(11) 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:

“Sec. 36C. Expenses for household and dependent care services necessary for gainful employment.”

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1613. Ms. COLLINS submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle A of title I, insert the following:

SEC. 11030. TEMPORARY REDUCTION IN MEDICAL EXPENSE DEDUCTION FLOOR.

(a) IN GENERAL.—Subsection (f) of section 213 is amended to read as follows:

“(f) SPECIAL RULES FOR 2013 THROUGH 2018.—In the case of any taxable year—

“(1) beginning after December 31, 2012, and ending before January 1, 2017, in the case of a taxpayer if such taxpayer or such taxpayer’s spouse has attained age 65 before the close of such taxable year, and

“(2) beginning after December 31, 2016, and ending before January 1, 2019, in the case of any taxpayer,

subsection (a) shall be applied with respect to a taxpayer by substituting ‘7.5 percent’ for ‘10 percent’.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

SA 1614. Ms. COLLINS submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle A of title I, insert the following:

SEC. 2. REFUNDABILITY OF CHILD AND DEPENDENT CARE TAX CREDIT.

(a) IN GENERAL.—The Internal Revenue Code of 1986 is amended—

(1) by redesignating section 21 as section 36C, and

(2) by moving section 36C, as so redesignated, from subpart A of part IV of subchapter A of chapter 1 to the location immediately before section 37 in subpart C of part IV of subchapter A of chapter 1.

(b) ADJUSTMENT FOR INFLATION.—Section 36C, as redesignated by subsection (a), is amended—

(1) by redesignating subsection (f) as subsection (g), and

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

“(f) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 2017, each of the

dollar amounts in subsections (a)(2) and (c) 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.

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

(c) TECHNICAL AMENDMENTS.—

(1) Paragraph (1) of section 23(f) is amended by striking “21(e)” and inserting “36C(e)”.

(2) Paragraph (6) of section 35(g) is amended by striking “21(e)” and inserting “36C(e)”.

(3) Paragraph (1) of section 36C(a) (as redesignated by subsection (a)) is amended by striking “this chapter” and inserting “this subtitle”.

(4) Subparagraph (C) of section 129(a)(2) is amended by striking “section 21(e)” and inserting “section 36C(e)”.

(5) Paragraph (2) of section 129(b) is amended by striking “section 21(d)(2)” and inserting “section 36C(d)(2)”.

(6) Paragraph (1) of section 129(e) is amended by striking “section 21(b)(2)” and inserting “section 36C(b)(2)”.

(7) Subsection (e) of section 213 is amended by striking “section 21” and inserting “section 36C”.

(8) Subparagraph (H) of section 6213(g)(2) is amended by striking “section 21” and inserting “section 36C”.

(9) Subparagraph (L) of section 6213(g)(2) is amended by striking “section 21, 24, or 32,” and inserting “section 24, 32, or 36C.”

(10) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting “36C,” after “36B.”

(11) 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:

“Sec. 36C. Expenses for household and dependent care services necessary for gainful employment.”

(12) The table of sections for subpart A of such part IV is amended by striking the item relating to section 21.

(d) EFFECTIVE DATE.—The amendments made by subsections (a), (b), and (c) shall apply to taxable years beginning after December 31, 2017.

SA 1615. Mr. HELLER (for himself and Mr. CORNYN) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle D of title I, add the following:

SEC. 14506. INTERNATIONAL REGULATED INVESTMENT COMPANIES.

(a) IN GENERAL.—Subchapter N of chapter 1 is amended by redesignating part V as part VI and inserting after part IV the following new part:

“PART V—INTERNATIONAL REGULATED INVESTMENT COMPANIES

“Sec. 998. Definition of international regulated investment company.

“Sec. 998A. Taxation of IRICs.

“Sec. 998B. Other rules.

“SEC. 998. DEFINITION OF INTERNATIONAL REGULATED INVESTMENT COMPANY.

“(a) GENERAL RULE.—For purposes of this title, the terms ‘international regulated investment company’ and ‘IRIC’ mean, with respect to any taxable year, a domestic corporation which, at all times during the taxable year, meets the following requirements:

“(1) The corporation is registered under the Investment Company Act of 1940.

“(2) Except as provided in subsection (c), the corporation holds no assets other than the stock of a single regulated investment company—

“(A) to which part I of subchapter M applies, and

“(B) which is not a qualified investment entity (as defined in section 897(h)(4)(A)(ii)).

“(3) All outstanding stock of the corporation is held by nonresident alien individuals (and their foreign estates) and qualified foreign pension funds (within the meaning of section 897(1)(2)).

“(4) The corporation has in effect an election to be treated as an IRIC.

“(b) ELECTION.—An election to be treated as an IRIC shall apply to the taxable year for which made and all subsequent taxable years until terminated. Such election shall be made for any taxable year not later than the due date (with extensions) for the return of tax imposed by this subtitle for the taxable year.

“(c) PERMITTED ASSETS.—For purposes of subsection (a)(2), an IRIC may hold—

“(1) an amount of cash and cash equivalents reasonably necessary or appropriate for the corporation to conduct its normal affairs, and

“(2) such other assets as are incidental to the corporation's conduct of its normal affairs or otherwise allowed by the Secretary.

“(d) TERMINATION.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if a corporation fails to meet the requirements of subsection (a) at any time during the taxable year, the corporation shall not be treated as an IRIC for such taxable year.

“(2) INADVERTENT FAILURE.—

“(A) IN GENERAL.—A corporation which fails to meet the requirements of subsection (a) for any taxable year shall nevertheless be considered to have satisfied the requirements of such subsection for such taxable year if—

“(i) the failure was due to reasonable cause and not due to willful neglect,

“(ii) no later than 30 days after the discovery of the event causing such failure, the corporation meets the requirements of subsection (a),

“(iii) in the case of a failure to meet the requirements of subsection (a)(3) for any period, the failure was caused by persons not described therein holding, in the aggregate, less than 1 percent of the stock (by value) of the corporation, and

“(iv) the corporation pays the additional tax imposed by reason of subparagraph (B).

“(B) IMPOSITION OF ADDITIONAL TAX ON CERTAIN FAILURES.—In the case of a failure described in subparagraph (A)(iii) for any taxable year, the tax imposed by section 998A(a) on the IRIC shall be equal to the sum of—

“(i) the tax determined under such section (without regard to this subparagraph) on amounts received by the IRIC for the taxable year other than amounts so received which are attributable to stock held by persons not described in subsection (a)(3) for the period so held, plus

“(ii) 100 percent of the amounts received which are so attributable.

The Secretary shall prescribe rules for the proper allocation of deductions to amounts described in this subparagraph.

“SEC. 998A. TAXATION OF IRICS.

“(a) IN GENERAL.—In the case of an IRIC, there shall be imposed, in lieu of the tax imposed by section 11, a tax equal to 30 percent of the excess of—

“(1) the amounts received by the IRIC which (before the application of any treaty) would be subject to tax under section 871(a)

if received by a nonresident alien individual, over

“(2) the deductions properly allocable to such amounts (other than deductions allowed under sections 163, 172, 243, and such other provisions as the Secretary may prescribe in regulations to prevent abuse).

“(b) TREATIES.—

“(1) IN GENERAL.—In the case of a treaty IRIC, subsection (a) shall be applied by substituting ‘15 percent’ for ‘30 percent’.

“(2) TREATY IRIC.—For purposes of paragraph (1), the term ‘treaty IRIC’ means an IRIC—

“(A) all the outstanding stock of which is held by persons resident in a country that has in effect with the United States an income tax treaty pursuant to which such persons would, by reason of section 894(a), be subject to tax under section 871(a) on dividends at a rate not greater than 15 percent, and

“(B) which elects to be a treaty IRIC.

Rules similar to the rules of section 998(b) shall apply to an election under subparagraph (B).

“SEC. 998B. OTHER RULES.

“(a) COORDINATION WITH SUBCHAPTER M.—Except as provided in subsection (e), an IRIC shall not be treated as a regulated investment company for purposes of this title.

“(b) NO CARRYOVERS.—

“(1) CARRYOVERS TO IRIC YEARS.—No carryforward, and no carryback, arising for a taxable year for which the corporation is not an IRIC may be carried to a taxable year for which such corporation is an IRIC.

“(2) CARRYOVERS FROM IRIC YEARS.—No carryforward, and no carryback, shall arise for a taxable year for which a corporation is an IRIC.

“(c) CERTAIN TAXES NOT TO APPLY.—Sections 531 and 541 shall not apply to an IRIC.

“(d) CREDITS NOT ALLOWED.—No credits under this chapter shall be allowed to an IRIC.

“(e) REDEMPTIONS.—In applying section 302(b)(5), an IRIC shall be treated as a publicly offered regulated investment company.

“(f) RELIANCE ON CERTIFICATION.—

“(1) RELIANCE.—With respect to the requirement in sections 998(a)(3) and 998A(b)(2)(A), a corporation may rely on the certification of its shareholders, unless or until such time that the corporation has reason to know that the certification is false or is no longer true.

“(2) REDEMPTION UPON FALSE CERTIFICATION.—If a corporation has reason to know that the certification made by one of its shareholders is false or is no longer true, the corporation must redeem the stock held by such shareholder as soon as reasonably practicable (and in no case more than 30 days after the corporation obtains such reason to know). Failure to redeem such stock in a timely manner shall result in the corporation failing the requirement of section 998(a)(3) or 998A(b)(2)(A), whichever is applicable.

“(3) CERTIFICATION BY CERTAIN INSTITUTIONS.—For purposes of this subsection, a certification with regard to a person which is made by an institution described in section 871(h)(5)(B) in a form satisfactory to the Secretary under section 871(h) shall be deemed to be a certification by such person.”

(b) CLERICAL AMENDMENT.—The table of parts for subchapter N of chapter 1 is amended by redesignating the item relating to part V as relating to part VI and inserting after the item relating to part IV the following new item:

“PART V—INTERNATIONAL REGULATED INVESTMENT COMPANIES”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable

years beginning after the date of the enactment of this Act.

SA 1616. Mr. HELLER submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. —. EXTENSION OF GEOTHERMAL ENERGY PROPERTY.

(a) CREDIT PERCENTAGE FOR GEOTHERMAL ENERGY PROPERTY.—Section 48(a)(2)(A)(i)(II) is amended by striking “paragraph (3)(A)(i)” and inserting “clause (i) or (ii) of paragraph (3)(A)”.

(b) PHASEOUT OF 30-PERCENT CREDIT RATE FOR GEOTHERMAL ENERGY PROPERTY.—Section 48(a)(6) is amended—

(1) in the heading, by inserting “AND GEOTHERMAL” after “SOLAR”;

(2) in subparagraph (A), by striking “paragraph (3)(A)(i)” and inserting “clause (i) or (iii) of paragraph (3)(A)”;

(3) in subparagraph (B), by striking “property energy property described in paragraph (3)(A)(i)” and inserting “energy property described in clause (i) or (iii) of paragraph (3)(A)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2017.

SA 1617. Mr. HELLER submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. —. TECHNOLOGIES FOR ENERGY JOBS AND SECURITY.

(a) EXTENSION AND PHASEOUT OF RESIDENTIAL ENERGY EFFICIENT PROPERTY.—

(1) EXTENSION.—Section 25D(h) is amended by striking “December 31, 2016 (December 31, 2021, in the case of any qualified solar electric property expenditures and qualified solar water heating property expenditures)”, and inserting “December 31, 2021”.

(2) PHASEOUT.—

(A) IN GENERAL.—Paragraphs (3), (4), and (5) of section 25D(a) are amended by striking “30 percent” each place it appears and inserting “the applicable percentage”.

(B) CONFORMING AMENDMENT.—Section 25D(g) is amended by striking “paragraphs (1) and (2) of”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on January 1, 2017.

(b) EXTENSION AND PHASEOUT OF ENERGY CREDIT.—

(1) CREDIT PERCENTAGE FOR GEOTHERMAL ENERGY PROPERTY.—Section 48(a)(2)(A)(i)(II) is amended by striking “paragraph (3)(A)(i)” and inserting “clause (i) or (iii) of paragraph (3)(A)”.

(2) EXTENSION OF SOLAR AND THERMAL ENERGY PROPERTY.—Section 48(a)(3)(A) is amended—

(A) in clause (ii) by striking “periods ending before January 1, 2017” and inserting “property the construction of which begins before January 1, 2022”; and

(B) in clause (vii) by striking “periods ending before January 1, 2017” and inserting “property the construction of which begins before January 1, 2022”.

(3) PHASEOUT OF 30-PERCENT CREDIT RATE FOR GEOTHERMAL ENERGY PROPERTY.—Section 48(a)(6) is amended—

(A) in the heading, by inserting “AND GEOTHERMAL” after “SOLAR”;

(B) in subparagraph (A), by striking “paragraph (3)(A)(i)” and inserting “clause (i) or (iii) of paragraph (3)(A)”;

(C) in subparagraph (B), by striking “property energy property described in paragraph (3)(A)(i)” and inserting “energy property described in clause (i) or (iii) of paragraph (3)(A)”.

(4) PHASEOUT OF 30-PERCENT CREDIT RATE FOR FIBER-OPTIC SOLAR, QUALIFIED FUEL CELL, AND QUALIFIED SMALL WIND ENERGY PROPERTY.—

(A) IN GENERAL.—Section 48(a) is amended by adding the following:

“(7) PHASEOUT FOR FIBER-OPTIC SOLAR, QUALIFIED FUEL CELL, AND QUALIFIED SMALL WIND ENERGY PROPERTY.—In the case of any energy property described in paragraph (3)(A)(ii), qualified fuel cell property, or qualified small wind property, the energy percentage determined under paragraph (2) shall be equal to—

“(A) in the case of any property the construction of which begins after December 31, 2019, and before January 1, 2021, 26 percent, and

“(B) in the case of any property the construction of which begins after December 31, 2020, and before January 1, 2022, 22 percent.”.

(B) CONFORMING AMENDMENT.—Section 48(a)(2)(A) is amended by striking “paragraph (6)” and inserting “paragraphs (6) and (7)”.

(5) EXTENSION OF QUALIFIED FUEL CELL PROPERTY.—Section 48(c)(1)(D) is amended by striking “for any period after December 31, 2016” and inserting “the construction of which does not begin before January 1, 2022”.

(6) EXTENSION OF QUALIFIED MICROTURBINE PROPERTY.—Section 48(c)(2)(D) is amended by striking “for any period after December 31, 2016” and inserting “the construction of which does not begin before January 1, 2022”.

(7) EXTENSION OF COMBINED HEAT AND POWER SYSTEM PROPERTY.—Section 48(c)(3)(A)(iv) is amended by striking “which is placed in service before January 1, 2017” and inserting “the construction of which begins before January 1, 2022”.

(8) EXTENSION OF QUALIFIED SMALL WIND ENERGY PROPERTY.—Section 48(c)(4)(C) is amended by striking “for any period after December 31, 2016” and inserting “the construction of which does not begin before January 1, 2022”.

(9) EFFECTIVE DATE.—The amendments made by this subsection shall take effect on January 1, 2017.

(C) WASTE HEAT TO POWER PROPERTY.—

(1) IN GENERAL.—

(A) INTRODUCTION OF WASTE TO HEAT POWER ENERGY PROPERTY.—Section 48(a)(3)(A) is amended—

(i) at the end of clause (vi) by striking “or”; and

(ii) at the end of clause (vii) by inserting “or” after the comma; and

(iii) by adding the following:

“(viii) waste heat to power property.”.

(B) DEFINITIONS AND LIMITATIONS.—Section 48(c) is amended by adding the following:

“(5) WASTE HEAT TO POWER PROPERTY.—

“(A) IN GENERAL.—The term ‘waste heat to power property’ means property—

“(i) comprising a system which generates electricity through the recovery of a qualified waste heat resource, and

“(ii) the construction of which begins before January 1, 2022.

“(B) QUALIFIED WASTE HEAT RESOURCE.—The term ‘qualified waste heat resource’ means—

“(i) exhaust heat or flared gas from an industrial process that does not have, as its primary purpose, the production of electricity, and

“(ii) a pressure drop in any gas for an industrial or commercial process.

“(C) LIMITATIONS.—

“(i) IN GENERAL.—For purposes of subsection (a)(1), the basis of any waste heat to power property taken into account under this section shall not exceed the excess of—

“(I) the basis of such property, over

“(II) the fair market value of comparable property which does not have the capacity to capture and convert a qualified waste heat resource to electricity.

“(ii) CAPACITY LIMITATION.—The term ‘waste heat to power property’ shall not include any property comprising a system if such system has a capacity in excess of 50 megawatts.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to periods after December 31, 2016, in taxable years ending after such date, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SA 1618. Mr. HATCH (for himself and Ms. MURKOWSKI) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike all after the first word and insert the following:

TITLE I

SEC. 11000. SHORT TITLE, ETC.

(a) SHORT TITLE.—This title may be cited as the “Tax Cuts and Jobs Act”.

(b) AMENDMENT OF 1986 CODE.—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.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.

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

“(j) MODIFICATIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) subsection (i) shall not apply, and

“(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (7).

“(2) RATE TABLES.—

“(A) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The following table shall be applied in lieu of the table contained in subsection (a):

Table with 2 columns: 'If taxable income is:' and 'The tax is:'. Rows show income brackets and corresponding tax rates (10%, 12%, 22%, 24%, 32%, 35%, 38.5%).

“(B) HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (b):

Table with 2 columns: 'If taxable income is:' and 'The tax is:'. Row shows income bracket (Not over \$13,600) and tax rate (10% of taxable income).

Table with 2 columns: 'If taxable income is:' and 'The tax is:'. Rows show income brackets and corresponding tax rates (12%, 22%, 24%, 32%, 35%, 38.5%).

“(C) UNMARRIED INDIVIDUALS OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (c):

Table with 2 columns: 'If taxable income is:' and 'The tax is:'. Rows show income brackets and corresponding tax rates (10%, 12%, 22%, 24%, 32%, 35%, 38.5%).

“(D) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—The following table shall be applied in lieu of the table contained in subsection (d):

Table with 2 columns: 'If taxable income is:' and 'The tax is:'. Rows show income brackets and corresponding tax rates (10%, 12%, 22%, 24%, 32%, 35%, 38.5%).

“(E) ESTATES AND TRUSTS.—The following table shall be applied in lieu of the table contained in subsection (e):

Table with 2 columns: 'If taxable income is:' and 'The tax is:'. Rows show income brackets and corresponding tax rates (10%, 24%, 35%, 38.5%).

“(F) REFERENCES TO RATE TABLES.—Any reference in this title to a rate of tax under subsection (c) shall be treated as a reference to the corresponding rate bracket under subparagraph (C) of this paragraph, except that the reference in section 3402(q)(1) to the third lowest rate of tax applicable under subsection (c) shall be treated as a reference to the fourth lowest rate of tax under subparagraph (C).

“(3) ADJUSTMENTS, ELIMINATION OF MARRIAGE PENALTY; ETC.—

“(A) NO ADJUSTMENT IN 2018.—The tables contained in paragraph (2) shall apply without adjustment for taxable years beginning after December 31, 2017, and before January 1, 2019.

“(B) SUBSEQUENT YEARS.—For taxable years beginning after December 31, 2018, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in paragraphs (1) and (2) of subsection (f), except that in prescribing such tables—

“(i) subsection (f)(3) shall be applied by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof, and

“(ii) subsection (f)(7) shall not apply and—

“(I) the maximum taxable income in each of the rate brackets in the table contained in paragraph (2)(A) (and the minimum taxable

income in the next higher taxable income bracket with respect to each such bracket in such table) shall be 200 percent of the maximum taxable income in the corresponding rate bracket in the table contained in paragraph (2)(C) (after any other adjustment under paragraph (3)), and

“(II) the comparable taxable income amounts in the table contained in paragraph (2)(D) shall be ½ of the amounts determined under subparagraph (A).

“(4) SPECIAL RULES FOR CERTAIN CHILDREN WITH UNEARNED INCOME.—

“(A) IN GENERAL.—In the case of a child to whom subsection (g) applies for the taxable year, the rules of subparagraphs (B) and (C) shall apply in lieu of the rule under subsection (g)(1).

“(B) MODIFICATIONS TO APPLICABLE RATE BRACKETS.—In determining the amount of tax imposed by this section for the taxable year on a child described in subparagraph (A), the income tax table otherwise applicable under this subsection to the child shall be applied with the following modifications:

“(i) 24-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 24 percent shall not be more than the earned taxable income of such child.

“(ii) 35-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 35 percent shall not be more than the sum of—

“(I) the earned taxable income of such child, plus

“(II) the minimum taxable income for the 35-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable year.

“(iii) 38.5-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 38.5 percent shall not be more than the sum of—

“(I) the earned taxable income of such child, plus

“(II) the minimum taxable income for the 38.5-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable year.

“(C) COORDINATION WITH CAPITAL GAINS RATES.—For purposes of applying section 1(h) (after the modifications under paragraph (5))—

“(i) the maximum zero rate amount shall not be more than the sum of—

“(I) the earned taxable income of such child, plus

“(II) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

“(ii) the maximum 15-percent rate amount shall not be more than the sum of—

“(I) the earned taxable income of such child, plus

“(II) the amount in effect under paragraph (5)(B)(ii)(IV) for the taxable year.

“(D) EARNED TAXABLE INCOME.—For purposes of this paragraph, the term ‘earned taxable income’ means, with respect to any child for any taxable year, the taxable income of such child reduced (but not below zero) by the net unearned income (as defined in subsection (g)(4)) of such child.

“(5) APPLICATION OF CURRENT INCOME TAX BRACKETS TO CAPITAL GAINS BRACKETS.—

“(A) IN GENERAL.—Section 1(h)(1) shall be applied—

“(i) by substituting ‘below the maximum zero rate amount’ for ‘which would (without regard to this paragraph) be taxed at a rate below 25 percent’ in subparagraph (B)(i), and

“(ii) by substituting ‘below the maximum 15-percent rate amount’ for ‘which would (without regard to this paragraph) be taxed at a rate below 39.6 percent’ in subparagraph (C)(ii)(I).

“(B) MAXIMUM AMOUNTS DEFINED.—For purposes of applying section 1(h) with the modifications described in subparagraph (A)—

“(i) MAXIMUM ZERO RATE AMOUNT.—The maximum zero rate amount shall be—

“(I) in the case of a joint return or surviving spouse, \$77,200 (½ such amount in the case of a married individual filing a separate return),

“(II) in the case of an individual who is a head of household (as defined in section 2(b)), \$51,700,

“(III) in the case of any other individual (other than an estate or trust), an amount equal to ½ of the amount in effect for the taxable year under clause (i), and

“(IV) in the case of an estate or trust, \$2,600.

“(ii) MAXIMUM 15-PERCENT RATE AMOUNT.—The maximum 15-percent rate amount shall be—

“(I) in the case of a joint return or surviving spouse, \$479,000 (½ such amount in the case of a married individual filing a separate return),

“(II) in the case of an individual who is the head of a household (as defined in section 2(b)), \$452,400,

“(III) in the case of any other individual (other than an estate or trust), \$425,800, and

“(IV) in the case of an estate or trust, \$12,700.

“(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, each of the dollar amounts in clauses (i) and (ii) of subparagraph (B) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under subsection (f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

“(6) SECTION 15 NOT TO APPLY.—Section 15 shall not apply to any change in a rate of tax by reason of this subsection.”

(b) DUE DILIGENCE TAX PREPARER REQUIREMENT WITH RESPECT TO HEAD OF HOUSEHOLD FILING STATUS.—Subsection (g) of section 6695 is amended to read as follows:

“(g) FAILURE TO BE DILIGENT IN DETERMINING ELIGIBILITY FOR CERTAIN TAX BENEFITS.—Any person who is a tax return preparer with respect to any return or claim for refund who fails to comply with due diligence requirements imposed by the Secretary by regulations with respect to determining—

“(1) eligibility to file as a head of household (as defined in section 2(b)) on the return, or

“(2) eligibility for, or the amount of, the credit allowable by section 24, 25A(a)(1), or 32,

shall pay a penalty of \$500 for each such failure.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI.

(a) IN GENERAL.—Subsection (f) of section 1 is amended by striking paragraph (3) and by inserting after paragraph (2) the following new paragraph:

“(3) COST-OF-LIVING ADJUSTMENT.—For purposes of this subsection—

“(A) IN GENERAL.—The cost-of-living adjustment for any calendar year is the percentage (if any) by which—

“(i) the C-CPI-U for the preceding calendar year, exceeds

“(ii) the CPI for calendar year 2016, multiplied by the amount determined under subparagraph (B).

“(B) AMOUNT DETERMINED.—The amount determined under this clause is the amount obtained by dividing—

“(i) the C-CPI-U for calendar year 2016, by

“(ii) the CPI for calendar year 2016.

“(C) SPECIAL RULE FOR ADJUSTMENTS WITH A BASE YEAR AFTER 2016.—For purposes of any provision of this title which provides for the substitution of a year after 2016 for ‘2016’ in subparagraph (A)(ii), subparagraph (A) shall be applied by substituting ‘the C-CPI-U for calendar year 2016’ for ‘the CPI for calendar year 2016’ and all that follows in clause (ii) thereof.”

(b) C-CPI-U.—Subsection (f) of section 1 is amended by striking paragraph (7), by redesignating paragraph (6) as paragraph (7), and by inserting after paragraph (5) the following new paragraph:

“(6) C-CPI-U.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘C-CPI-U’ means the Chained Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics of the Department of Labor). The values of the Chained Consumer Price Index for All Urban Consumers taken into account for purposes of determining the cost-of-living adjustment for any calendar year under this subsection shall be the latest values so published as of the date on which such Bureau publishes the initial value of the Chained Consumer Price Index for All Urban Consumers for the month of August for the preceding calendar year.

“(B) DETERMINATION FOR CALENDAR YEAR.—The C-CPI-U for any calendar year is the average of the C-CPI-U as of the close of the 12-month period ending on August 31 of such calendar year.”

(c) APPLICATION TO PERMANENT TAX TABLES.—Section 1(f)(2)(A) is amended by inserting ‘, determined by substituting ‘1992’ for ‘2016’ in paragraph (3)(A)(ii)’.

(d) APPLICATION TO OTHER INTERNAL REVENUE CODE OF 1986 PROVISIONS.—

(1) The following sections are each amended by striking “for ‘calendar year 1992’ in subparagraph (B)” and inserting “for ‘calendar year 2016’ in subparagraph (A)(ii)”:

(A) Section 23(h)(2).

(B) Paragraphs (1)(A)(ii) and (2)(A)(ii) of section 25A(h).

(C) Section 25B(b)(3)(B).

(D) Subsection (b)(2)(B)(ii)(II), and clauses (i) and (ii) of subsection (j)(1)(B), of section 32.

(E) Section 36B(f)(2)(B)(ii)(II).

(F) Section 41(e)(5)(C)(i).

(G) Subsections (e)(3)(D)(ii) and (h)(3)(H)(i)(II) of section 42.

(H) Section 45R(d)(3)(B)(ii).

(I) Section 62(d)(3)(B).

(J) Section 125(i)(2)(B).

(K) Section 135(b)(2)(B)(ii).

(L) Section 137(f)(2).

(M) Section 146(d)(2)(B).

(N) Section 147(c)(2)(H)(ii).

(O) Section 179(b)(6)(A)(ii).

(P) Subsections (b)(5)(C)(i)(II) and (g)(8)(B) of section 219.

(Q) Section 220(g)(2).

(R) Section 221(f)(1)(B).

(S) Section 223(g)(1)(B).

(T) Section 408A(c)(3)(D)(ii).

(U) Section 430(c)(7)(D)(vii)(II).

(V) Section 512(d)(2)(B).

(W) Section 513(h)(2)(C)(ii).

(X) Section 831(b)(2)(D)(ii).

(Y) Section 877A(a)(3)(B)(i)(II).

(Z) Section 2010(c)(3)(B)(ii).

(AA) Section 2032A(a)(3)(B).

(BB) Section 2503(b)(2)(B).

(CC) Section 4261(e)(4)(A)(ii).

(DD) Section 5000A(c)(3)(D)(ii).

(EE) Section 6323(i)(4)(B).

(FF) Section 6334(g)(1)(B).

(GG) Section 6601(j)(3)(B).

(HH) Section 6651(i)(1).

(II) Section 6652(c)(7)(A).

(JJ) Section 6695(h)(1).

(KK) Section 6698(e)(1).

(LL) Section 6699(e)(1).

(MM) Section 6721(f)(1).

(NN) Section 6722(f)(1).

(OO) Section 7345(f)(2).

(PP) Section 7430(c)(1).

(QQ) Section 9831(d)(2)(D)(ii)(II).

(2) Section 41(e)(5)(C)(ii) is amended—

(A) by striking “1(f)(3)(B)” and inserting “1(f)(3)(A)(ii)”, and

(B) by striking “1992” and inserting “2016”.

(3) Section 42(h)(6)(G) is amended—

(A) by striking “for ‘calendar year 1987’” in clause (i)(II) and inserting “for ‘calendar year 2016’ in subparagraph (A)(ii) thereof”, and

(B) by striking “if the CPI for any calendar year” and all that follows in clause (ii) and inserting “if the C-CPI-U for any calendar year (as defined in section 1(f)(6)) exceeds the C-CPI-U for the preceding calendar year by more than 5 percent, the C-CPI-U for the base calendar year shall be increased such that such excess shall never be taken into account under clause (i). In the case of a base calendar year before 2017, the C-CPI-U for such year shall be determined by multiplying the CPI for such year by the amount determined under section 1(f)(3)(B).”.

(4) Section 132(f)(6)(A)(ii) is amended by striking “for ‘calendar year 1992’” and inserting “for ‘calendar year 2016’ in subparagraph (A)(ii) thereof”.

(5) Section 162(o)(3) is amended by striking “adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991” and inserting “adjusted by increasing any such amount under the 1991 agreement by an amount equal to—

“(A) such 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, by substituting ‘calendar year 1990’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof”.

(6) So much of clause (ii) of section 213(d)(10)(B) as precedes the last sentence is amended to read as follows:

“(ii) MEDICAL CARE COST ADJUSTMENT.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the percentage (if any) by which—

“(I) the medical care component of the C-CPI-U (as defined in section 1(f)(6)) for August of the preceding calendar year, exceeds

“(II) such component of the CPI (as defined in section 1(f)(4)) for August of 1996, multiplied by the amount determined under section 1(f)(3)(B).”.

(7) Section 877(a)(2) is amended by striking “for ‘1992’ in subparagraph (B)” and inserting “for ‘2016’ in subparagraph (A)(ii)”.

(8) Section 911(b)(2)(D)(ii)(II) is amended by striking “for ‘1992’ in subparagraph (B)” and inserting “for ‘2016’ in subparagraph (A)(ii)”.

(9) Paragraph (2) of section 1274A(d) is amended to read as follows:

“(2) ADJUSTMENT FOR INFLATION.—In the case of any debt instrument arising out of a sale or exchange during any calendar year after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to—

“(A) such 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, by substituting ‘calendar year 1988’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of \$100 (or, if such increase is a multiple of \$50, such increase shall be increased to the nearest multiple of \$100).”.

(10) Section 4161(b)(2)(C)(i)(II) is amended by striking “for ‘1992’ in subparagraph (B)”

and inserting “for ‘2016’ in subparagraph (A)(ii)”.

(11) Section 49801(b)(3)(C)(v)(II) is amended by striking “for ‘1992’ in subparagraph (B)” and inserting “for ‘2016’ in subparagraph (A)(ii)”.

(12) Section 6039F(d) is amended by striking “subparagraph (B) thereof shall be applied by substituting ‘1995’ for ‘1992’” and inserting “subparagraph (A)(ii) thereof shall be applied by substituting ‘1995’ for ‘2016’”.

(13) Section 7872(g)(5) is amended to read as follows:

“(5) ADJUSTMENT OF LIMIT FOR INFLATION.—In the case of any loan made during any calendar year after 1986, the dollar amount in paragraph (2) shall be increased by an amount equal to—

“(A) such 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, by substituting ‘calendar year 1985’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of \$100 (or, if such increase is a multiple of \$50, such increase shall be increased to the nearest multiple of \$100).”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART II—DEDUCTION FOR QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES

SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS INCOME.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section:

“SEC. 199A. QUALIFIED BUSINESS INCOME.

“(a) IN GENERAL.—In the case of a taxpayer other than a corporation, there shall be allowed as a deduction for any taxable year an amount equal to the lesser of—

“(1) the combined qualified business income amount of the taxpayer, or

“(2) an amount equal to 17.4 percent of the excess (if any) of—

“(A) the taxable income of the taxpayer for the taxable year, over

“(B) any net capital gain (as defined in section 1(h)) of the taxpayer for the taxable year.

“(b) COMBINED QUALIFIED BUSINESS INCOME AMOUNT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘combined qualified business income amount’ means, with respect to any taxable year, an amount equal to—

“(A) the sum of the amounts determined under paragraph (2) for each qualified trade or business carried on by the taxpayer, plus

“(B) 17.4 percent of the aggregate amount of the qualified REIT dividends and qualified cooperative dividends of the taxpayer for the taxable year.

“(2) DETERMINATION OF DEDUCTIBLE AMOUNT FOR EACH TRADE OR BUSINESS.—The amount determined under this paragraph with respect to any qualified trade or business is the lesser of—

“(A) 17.4 percent of the taxpayer’s qualified business income with respect to the qualified trade or business, or

“(B) 50 percent of the W-2 wages with respect to the qualified trade or business.

“(3) MODIFICATIONS TO THE WAGE LIMIT BASED ON TAXABLE INCOME.—

“(A) EXCEPTION FROM WAGE LIMIT.—In the case of any taxpayer whose taxable income for the taxable year does not exceed the threshold amount, paragraph (2) shall be applied without regard to subparagraph (B).

“(B) PHASE-IN OF LIMIT FOR CERTAIN TAXPAYERS.—

“(i) IN GENERAL.—If—

“(I) the taxable income of a taxpayer for any taxable year exceeds the threshold amount, but does not exceed the sum of the threshold amount plus \$50,000 (\$100,000 in the case of a joint return), and

“(II) the amount determined under paragraph (2)(B) (determined without regard to this subparagraph) with respect to any qualified trade or business carried on by the taxpayer is less than the amount determined under paragraph (2)(A) with respect such trade or business, then paragraph (2) shall be applied with respect to such trade or business without regard to subparagraph (B) thereof and by reducing the amount determined under subparagraph (A) thereof by the amount determined under clause (ii).

“(ii) AMOUNT OF REDUCTION.—The amount determined under this subparagraph is the amount which bears the same ratio to the excess amount as—

“(I) the amount by which the taxpayer’s taxable income for the taxable year exceeds the threshold amount, bears to

“(II) \$50,000 (\$100,000 in the case of a joint return).

“(iii) EXCESS AMOUNT.—For purposes of clause (ii), the excess amount is the excess of—

“(I) the amount determined under paragraph (2)(A) (determined without regard to this paragraph), over

“(II) the amount determined under paragraph (2)(B) (determined without regard to this paragraph).

“(4) WAGES, ETC.—

“(A) IN GENERAL.—The term ‘W-2 wages’ means, with respect to any person for any taxable year of such person, the amounts described in paragraphs (3) and (8) of section 6051(a) paid by such person with respect to employment of employees by such person during the calendar year ending during such taxable year.

“(B) LIMITATION TO WAGES ATTRIBUTABLE TO QUALIFIED BUSINESS INCOME.—Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c)(1).

“(C) RETURN REQUIREMENT.—Such term shall not include any amount which is not properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.

“(5) ACQUISITIONS, DISPOSITIONS, AND SHORT TAXABLE YEARS.—The Secretary shall provide for the application of this subsection in cases of a short taxable year or where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

“(c) QUALIFIED BUSINESS INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified business income’ means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer.

“(2) CARRYOVER OF LOSSES.—If the net amount of qualified income, gain, deduction, and loss with respect to qualified trade or businesses of the taxpayer amount for any taxable year is less than zero, such amount shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

“(3) QUALIFIED ITEMS OF INCOME, GAIN, DEDUCTION, AND LOSS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified items of income, gain, deduction, and loss’ means items of income, gain, deduction, and loss to the extent such items are—

“(i) effectively connected with the conduct of a trade or business within the United States (within the meaning of section 864(c), determined 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 it appears), and

“(ii) included or allowed in determining taxable income for the taxable year.

“(B) EXCEPTIONS.—The following investment items shall not be taken into account as a qualified item of income, gain, deduction, or loss:

“(i) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss.

“(ii) Any dividend, income equivalent to a dividend, or payment in lieu of dividends described in section 954(c)(1)(G).

“(iii) Any interest income other than interest income which is properly allocable to a trade or business.

“(iv) Any item of gain or loss described in subparagraph (C) or (D) of section 954(c)(1) (applied by substituting ‘qualified trade or business’ for ‘controlled foreign corporation’).

“(v) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (i) thereof and other than items attributable to notional principal contracts entered into in transactions qualifying under section 1221(a)(7)).

“(vi) Any amount received from an annuity which is not received in connection with the trade or business.

“(vii) Any item of deduction or loss properly allocable to an amount described in any of the preceding clauses.

“(4) TREATMENT OF REASONABLE COMPENSATION AND GUARANTEED PAYMENTS.—Qualified business income shall not include—

“(A) reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business,

“(B) any guaranteed payment described in section 707(c) paid to a partner for services rendered with respect to the trade or business, and

“(C) to the extent provided in regulations, any payment described in section 707(a) to a partner for services rendered with respect to the trade or business.

“(d) QUALIFIED TRADE OR BUSINESS.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified trade or business’ means any trade or business other than a specified service trade or business.

“(2) SPECIFIED SERVICE TRADE OR BUSINESS.—

“(A) IN GENERAL.—The term ‘specified service trade or business’ means—

“(i) any trade or business involving the performance of services described in section 1202(e)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

“(3) EXCEPTION FOR SPECIFIED SERVICE BUSINESSES BASED ON TAXPAYER’S INCOME.—

“(A) IN GENERAL.—If, for any taxable year, the taxable income of any taxpayer is less than the sum of the threshold amount plus \$50,000 (\$100,000 in the case of a joint return), then—

“(i) the exception under paragraph (1) shall not apply to specified service trades or businesses of the taxpayer for the taxable year, but

“(ii) only the applicable percentage of qualified items of income, gain, deduction, or loss, and the W-2 wages, of the taxpayer allocable to such specified service trades or

businesses shall be taken into account in computing the qualified business income and W-2 wages of the taxpayer for the taxable year for purposes of applying this section.

“(B) APPLICABLE PERCENTAGE.—For purposes of subparagraph (A), the term ‘applicable percentage’ means, with respect to any taxable year, 100 percent reduced (not below zero) by the percentage equal to the ratio of—

“(i) the taxable income of the taxpayer for the taxable year in excess of the threshold amount, bears to

“(ii) \$50,000 (\$100,000 in the case of a joint return).

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

“(1) TAXABLE INCOME.—Taxable income shall be computed without regard to the deduction allowable under this section.

“(2) THRESHOLD AMOUNT.—

“(A) IN GENERAL.—The term ‘threshold amount’ means \$250,000 (200 percent of such amount in the case of a joint return).

“(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, the dollar amount in 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 in which the taxable year begins.

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

“(3) QUALIFIED REIT DIVIDEND.—The term ‘qualified REIT dividend’ means any dividend from a real estate investment trust received during the taxable year which—

“(A) is not a capital gain dividend, as defined in section 857(b)(3), and

“(B) is not qualified dividend income, as defined in section 1(h)(11).

“(4) QUALIFIED COOPERATIVE DIVIDEND.—The term ‘qualified cooperative dividend’ means any patronage dividend (as defined in section 1388(a)), any per-unit retain allocation (as defined in section 1388(f)), and any qualified written notice of allocation (as defined in section 1388(c)), or any similar amount received from an organization described in subparagraph (B)(ii), which—

“(A) is includible in gross income, and

“(B) is received from—

“(i) an organization or corporation described in section 501(c)(12) or 1381(a), or

“(ii) an organization which is governed under this title by the rules applicable to cooperatives under this title before the enactment of subchapter T.

“(f) SPECIAL RULES.—

“(1) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

“(A) IN GENERAL.—In the case of a partnership or S corporation—

“(i) this section shall be applied at the partner or shareholder level,

“(ii) each partner or shareholder shall take into account such person’s allocable share of each qualified item of income, gain, deduction, and loss, and

“(iii) each partner or shareholder shall be treated for purposes of subsection (b) as having W-2 wages for the taxable year in an amount equal to such person’s allocable share of the W-2 wages of the partnership or S corporation for the taxable year (as determined under regulations prescribed by the Secretary).

For purposes of clause (iii), a partner’s or shareholder’s allocable share of W-2 wages shall be determined in the same manner as the partner’s or shareholder’s allocable share of wage expenses. For purposes of this subparagraph, in the case of an S corporation, an allocable share shall be the shareholder’s pro rata share of an item.

“(B) APPLICATION TO TRUSTS AND ESTATES.—This section shall not apply to any trust or estate.

“(C) TREATMENT OF TRADES OR BUSINESS IN PUERTO RICO.—

“(i) IN GENERAL.—In the case of any taxpayer with qualified business income from sources within the commonwealth of Puerto Rico, if all such income is taxable under section 1 for such taxable year, then for purposes of determining the qualified business income of such taxpayer for such taxable year, the term ‘United States’ shall include the Commonwealth of Puerto Rico.

“(ii) SPECIAL RULE FOR APPLYING WAGE LIMITATION.—In the case of any taxpayer described in clause (i), the determination of W-2 wages of such taxpayer with respect to any qualified trade or business conducted in Puerto Rico shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services in Puerto Rico.

“(2) COORDINATION WITH MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, qualified business income shall be determined without regard to any adjustments under sections 56 through 59.

“(3) DEDUCTION LIMITED TO INCOME TAXES.—The deduction under subsection (a) shall only be allowed for purposes of this chapter.

“(4) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including regulations—

“(A) for requiring or restricting the allocation of items and wages under this section and such reporting requirements as the Secretary determines appropriate, and

“(B) for the application of this section in the case of tiered entities.

“(g) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2025.”

(b) ACCURACY-RELATED PENALTY ON DETERMINATION OF APPLICABLE PERCENTAGE.—Section 6662(d)(1) is amended by inserting at the end the following new subparagraph:

“(C) SPECIAL RULE FOR TAXPAYERS CLAIMING SECTION 199A DEDUCTION.—In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable year, subparagraph (A) shall be applied by substituting ‘5 percent’ for ‘10 percent’.”

(c) CONFORMING AMENDMENTS.—

(1) Section 170(b)(2)(D) is amended by striking “, and” at the end of clause (iv), by redesignating clause (v) as clause (vi), and by inserting after clause (iv) the following new clause:

“(v) section 199A, and”.

(2) Section 172(d) is amended by adding at the end the following new paragraph:

“(8) QUALIFIED BUSINESS INCOME DEDUCTION.—The deduction under section 199A shall not be allowed.”

(3) Section 246(b)(1) is amended by inserting “199A,” before “243(a)(1)”.

(4) Section 613(a) is amended by inserting “and without the deduction under section 199A” after “and without the deduction under section 199”.

(5) Section 613A(d)(1) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B), the following new subparagraph:

“(C) any deduction allowable under section 199A.”

(6) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting at the end the following new item:

“Sec. 199A. Qualified business income.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11012. LIMITATION ON LOSSES FOR TAXPAYERS OTHER THAN CORPORATIONS.

(a) IN GENERAL.—Section 461 is amended by adding at the end the following new subsection:

“(1) LIMITATION ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS.—

“(1) LIMITATION.—In the case of taxable year of a taxpayer other than a corporation beginning after December 31, 2017, and before January 1, 2026—

“(A) subsection (j) (relating to limitation on excess farm losses of certain taxpayers) shall not apply, and

“(B) any excess business loss of the taxpayer for the taxable year shall not be allowed.

“(2) DISALLOWED LOSS CARRYOVER.—Any loss which is disallowed under paragraph (1) shall be treated as a net operating loss carryover to the following taxable year under section 172.

“(3) EXCESS BUSINESS LOSS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘excess business loss’ means the excess (if any) of—

“(i) the aggregate deductions of the taxpayer for the taxable year which are attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)), over

“(ii) the sum of—

“(I) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

“(II) \$250,000 (200 percent of such amount in the case of a joint return).

“(B) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after December 31, 2018, the \$250,000 amount in subparagraph (A)(ii)(II) 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 the taxable year begins.

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

“(4) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or S corporation—

“(A) this subsection shall be applied at the partner or shareholder level, and

“(B) each partner’s or shareholder’s allocable share of the items of income, gain, deduction, or loss of the partnership or S corporation for any taxable year from trades or businesses attributable to the partnership or S corporation shall be taken into account by the partner or shareholder in applying this subsection to the taxable year of such partner or shareholder with or within which the taxable year of the partnership or S corporation ends.

For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the shareholder’s pro rata share of an item.

“(5) ADDITIONAL REPORTING.—The Secretary shall prescribe such additional reporting requirements as the Secretary determines appropriate to carry out the purposes of this subsection.

“(6) COORDINATION WITH SECTION 469.—This subsection shall be applied after the application of section 469.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART III—TAX BENEFITS FOR FAMILIES AND INDIVIDUALS

SEC. 11021. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Subsection (c) of section 63 is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) INCREASE IN STANDARD DEDUCTION.—Paragraph (2) shall be applied—

“(i) by substituting ‘\$18,000’ for ‘\$4,400’ in subparagraph (B), and

“(ii) by substituting ‘\$12,000’ for ‘\$3,000’ in subparagraph (C).

“(B) ADJUSTMENT FOR INFLATION.—

“(i) IN GENERAL.—Paragraph (4) shall not apply to the dollar amounts contained in paragraphs (2)(B) and (2)(C).

“(ii) ADJUSTMENT OF INCREASED AMOUNTS.—In the case of a taxable year beginning after 2018, the \$18,000 and \$12,000 amounts in subparagraph (A) shall each 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 the taxable year begins, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) thereof.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (8).

“(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting ‘\$2,000’ for ‘\$1,000’.

“(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be \$500,000.

“(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting ‘18’ for ‘17’.

“(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

“(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by \$500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(6) MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—

“(A) IN GENERAL.—Subsection (d)(1)(A) shall be applied without regard to paragraphs (2) and (5) of this subsection.

“(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after 2017, subsection (d)(1)(A) shall be applied as if the \$1,000 amount in subsection (a) were increased (but not to exceed the amount under paragraph (2) of this subsection) 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 the taxable year begins.

Any increase determined under the preceding sentence shall be rounded to the next highest multiple of \$100.

“(7) EARNED INCOME THRESHOLD FOR REFUNDABLE CREDIT.—Subsection (d)(1)(B)(i) shall be applied by substituting ‘\$2,500’ for ‘\$3,000’.

“(8) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of the preceding sentence, 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 to a citizen of the United States or is issued 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.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Section 170(b)(1) is amended by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph:

“(G) INCREASED LIMITATION FOR CASH CONTRIBUTIONS.—

“(i) IN GENERAL.—In the case of any contribution of cash to an organization described in subparagraph (A), the total amount of such contributions which may be taken into account under subsection (a) for any taxable year beginning after December 31, 2017, and before January 1, 2026, shall not exceed 60 percent of the taxpayer’s contribution base for such year.

“(ii) CARRYOVER.—If the aggregate amount of contributions described in clause (i) exceeds the applicable limitation under clause (i) for any taxable year described in such clause, such excess shall be treated (in a manner consistent with the rules of subsection (d)(1)) as a charitable contribution to which clause (i) applies in each of the 5 succeeding years in order of time.

“(iii) COORDINATION WITH SUBPARAGRAPHS (A) AND (B).—

“(I) IN GENERAL.—Contributions taken into account under this subparagraph shall not be taken into account under subparagraph (A).

“(II) LIMITATION REDUCTION.—Subparagraphs (A) and (B) shall be applied for each taxable year described in clause (i), and each taxable year to which any contribution under this subparagraph is carried over under clause (ii), by reducing (but not below zero) the aggregate contribution limitation allowed for the taxable year under each such subparagraph by the aggregate contributions allowed under this subparagraph for such taxable year.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2017.

SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS.

(a) INCREASE IN LIMITATION FOR CONTRIBUTIONS FROM COMPENSATION OF INDIVIDUALS WITH DISABILITIES.—

(1) IN GENERAL.—Section 529A(b)(2)(B) is amended to read as follows:

“(B) except in the case of contributions under subsection (c)(1)(C), if such contribution to an ABLE account would result in aggregate contributions from all contributors to the ABLE account for the taxable year exceeding the sum of—

“(i) the amount in effect under section 2503(b) for the calendar year in which the taxable year begins, plus

“(ii) in the case of any contribution by a designated beneficiary described in paragraph (7) before January 1, 2026, the lesser of—

“(I) compensation (as defined by section 219(f)(1)) includible in the designated beneficiary’s gross income for the preceding taxable year, or

“(II) an amount equal to the poverty line for a one-person household, as determined for the calendar year preceding the calendar year in which the taxable year begins.”.

(2) ELIGIBLE DESIGNATED BENEFICIARY.—Section 529A(b) is amended by adding at the end the following:

“(7) SPECIAL RULES RELATED TO CONTRIBUTION LIMIT.—For purposes of paragraph (2)(B)(ii)—

“(A) DESIGNATED BENEFICIARY.—A designated beneficiary described in this paragraph is an employee (including an employee within the meaning of section 401(c)) with respect to whom—

“(i) no contribution is made for the taxable year to a defined contribution plan (within the meaning of section 414(i)) with respect to which the requirements of section 401(a) or 403(a) are met,

“(ii) no contribution is made for the taxable year to an annuity contract described in section 403(b), and

“(iii) no contribution is made for the taxable year to an eligible deferred compensation plan described in section 457(b).

“(B) POVERTY LINE.—The term ‘poverty line’ has the meaning given such term by section 673 of the Community Services Block Grant Act (42 U.S.C. 9902).”.

(b) ALLOWANCE OF SAVER’S CREDIT FOR ABLE CONTRIBUTIONS BY ACCOUNT HOLDER.—Section 25B(d)(1) is amended by striking “and” at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting “, and”, and by inserting at the end the following:

“(D) the amount of contributions made before January 1, 2026, by such individual to the ABLE account (within the meaning of section 529A) of which such individual is the designated beneficiary.”.

(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. 11025. ROLLOVERS TO ABLE PROGRAMS FROM 529 PROGRAMS.

(a) IN GENERAL.—Clause (i) of section 529(c)(3)(C) is amended by striking “or” at the end of subclause (I), by striking the period at the end of subclause (II) and inserting “, or”, and by adding at the end the following:

“(III) before January 1, 2026, to an ABLE account (as defined in section 529A(e)(6)) of the designated beneficiary or a member of the family of the designated beneficiary.

Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B).”.

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

SEC. 11026. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA OF EGYPT.

(a) IN GENERAL.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as if it were a combat zone (as determined under section 112 of such Code):

(1) Section 2(a)(3) (relating to special rule where deceased spouse was in missing status).

(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

(3) Section 692 (relating to income taxes of members of Armed Forces on death).

(4) Section 2201 (relating to members of the Armed Forces dying in combat zone or by reason of combat-zone-incurred wounds, etc.).

(5) Section 3401(a)(1) (defining wages relating to combat pay for members of the Armed Forces).

(6) Section 4253(d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

(7) Section 6013(f)(1) (relating to joint return where individual is in missing status).

(8) Section 7508 (relating to time for performing certain acts postponed by reason of service in combat zone).

(b) QUALIFIED HAZARDOUS DUTY AREA.—For purposes of this section, the term “qualified hazardous duty area” means the Sinai Peninsula of Egypt, if as of the date of the enactment of this section 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. Such term includes such location only during the period such entitlement is in effect.

(c) APPLICABLE PERIOD.—

(1) IN GENERAL.—Except as provided in paragraph (2), the applicable period is—

(A) the portion of the first taxable year ending after June 9, 2015, which begins on such date, and

(B) any subsequent taxable year beginning before January 1, 2026.

(2) WITHHOLDING.—In the case of subsection (a)(5), the applicable period is—

(A) the portion of the first taxable year ending after the date of the enactment of this Act which begins on such date, and

(B) any subsequent taxable year beginning before January 1, 2026.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the provisions of this section shall take effect on June 9, 2015.

(2) WITHHOLDING.—Subsection (a)(5) shall apply to remuneration paid after the date of the enactment of this Act.

SEC. 11027. EXTENSION OF WAIVER OF LIMITATIONS WITH RESPECT TO EXCLUDING FROM GROSS INCOME AMOUNTS RECEIVED BY WRONGFULLY INCARCERATED INDIVIDUALS.

(a) IN GENERAL.—Section 304(d) of the Protecting Americans from Tax Hikes Act of 2015 (26 U.S.C. 139F note) is amended by striking “1-year” and inserting “2-year”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 11028. UNBORN CHILDREN ALLOWED AS 529 ACCOUNT BENEFICIARIES.

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

“(6) TREATMENT OF UNBORN CHILDREN.—

“(A) IN GENERAL.—Nothing shall prevent an unborn child from being treated as a designated beneficiary or an individual under this section.

“(B) UNBORN CHILD.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘unborn child’ means a child in utero.

“(ii) CHILD IN UTERO.—The term ‘child in utero’ means a member of the species homo sapiens, at any stage of development, who is carried in the womb.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made after December 31, 2017.

SEC. 11029. RELIEF FOR MISSISSIPPI RIVER DELTA FLOOD DISASTER AREA.

(a) IN GENERAL.—For purposes of this section, the term “Mississippi River Delta flood disaster area” means any area—

(1) with respect to which a major disaster has been declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act before September 3, 2016, by reason of severe storms and flooding occurring in Louisiana during August of 2016, or

(2) with respect to which a major disaster has been declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act before March 31, 2016, by reason of severe storms and flooding occurring in Louisiana, Texas, and Mississippi during March of 2016.

(b) SPECIAL RULES FOR USE OF RETIREMENT FUNDS WITH RESPECT TO MISSISSIPPI DELTA AREAS DAMAGED BY 2016 FLOODING.—

(1) TAX-FAVORED WITHDRAWALS FROM RETIREMENT PLANS.—

(A) IN GENERAL.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any qualified Mississippi River Delta flooding distribution.

(B) AGGREGATE DOLLAR LIMITATION.—

(i) IN GENERAL.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified Mississippi River Delta flooding distributions for any taxable year shall not exceed the excess (if any) of—

(I) \$100,000, over

(II) the aggregate amounts treated as qualified Mississippi River Delta flooding distributions received by such individual for all prior taxable years.

(ii) TREATMENT OF PLAN DISTRIBUTIONS.—If a distribution to an individual would (without regard to clause (i)) be a qualified Mississippi River Delta flooding distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified Mississippi River Delta flooding distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds \$100,000.

(iii) CONTROLLED GROUP.—For purposes of clause (ii), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(C) AMOUNT DISTRIBUTED MAY BE REPAYED.—

(i) IN GENERAL.—Any individual who receives a qualified Mississippi River Delta flooding distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c), 403(a)(4), 403(b)(8), 408(d)(3), or 457(e)(16) of the Internal Revenue Code of 1986, as the case may be.

(ii) TREATMENT OF REPAYMENTS OF DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the qualified Mississippi River Delta flooding distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having

transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(iii) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an individual retirement plan (as defined by section 7701(a)(37) of the Internal Revenue Code of 1986), then, to the extent of the amount of the contribution, the qualified Mississippi River Delta flooding distribution shall be treated as a distribution described in section 408(d)(3) of such Code and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(D) DEFINITIONS.—For purposes of this paragraph—

(i) QUALIFIED MISSISSIPPI RIVER DELTA FLOODING DISTRIBUTION.—Except as provided in subparagraph (B), the term “qualified Mississippi River Delta flooding distribution” means—

(I) any distribution from an eligible retirement plan made on or after August 11, 2016, and before January 1, 2018, to an individual whose principal place of abode on August 11, 2016, was located in the portion of Mississippi River Delta disaster area described in subsection (a)(1) and who has sustained an economic loss by reason of the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(II) any distribution from an eligible retirement plan made on or after March 1, 2016, and before January 1, 2018, to an individual whose principal place of abode on March 1, 2016, was located in the portion of Mississippi River Delta disaster area described in subsection (a)(2) and who has sustained an economic loss by reason of the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(2).

(ii) ELIGIBLE RETIREMENT PLAN.—The term “eligible retirement plan” shall have the meaning given such term by section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(E) INCOME INCLUSION SPREAD OVER 3-YEAR PERIOD.—

(i) IN GENERAL.—In the case of any qualified Mississippi River Delta flooding distribution, unless the taxpayer elects not to have this subparagraph apply for any taxable year, any amount required to be included in gross income for such taxable year shall be so included ratably over the 3-taxable-year period beginning with such taxable year.

(ii) SPECIAL RULE.—For purposes of clause (i), rules similar to the rules of subparagraph (E) of section 408A(d)(3) of the Internal Revenue Code of 1986 shall apply.

(F) SPECIAL RULES.—

(i) EXEMPTION OF DISTRIBUTIONS FROM TRUSTEE TO TRUSTEE TRANSFER AND WITHHOLDING RULES.—For purposes of sections 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986, qualified Mississippi River Delta flooding distributions shall not be treated as eligible rollover distributions.

(ii) QUALIFIED MISSISSIPPI RIVER DELTA FLOODING DISTRIBUTIONS TREATED AS MEETING PLAN DISTRIBUTION REQUIREMENTS.—For purposes of the Internal Revenue Code of 1986, a qualified Mississippi River Delta flooding distribution shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of the Internal Revenue Code of 1986.

(2) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(A) IN GENERAL.—If this paragraph applies to any amendment to any plan or annuity contract, such plan or contract shall be treated as being operated in accordance with

the terms of the plan during the period described in subparagraph (B)(i)(I).

(B) AMENDMENTS TO WHICH SUBSECTION APPLIES.—

(i) IN GENERAL.—This paragraph shall apply to any amendment to any plan or annuity contract which is made—

(I) pursuant to any provision of this section, or pursuant to any regulation under any provision of this section; and

(II) on or before the last day of the first plan year beginning on or after January 1, 2018, or such later date as the Secretary prescribes.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), subclause (II) shall be applied by substituting the date which is 2 years after the date otherwise applied under subclause (II).

(i) CONDITIONS.—This paragraph shall not apply to any amendment unless—

(I) during the period—

(aa) beginning on the date that this section or the regulation described in clause (i)(I) takes effect (or in the case of a plan or contract amendment not required by this section or such regulation, the effective date specified by the plan); and

(bb) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect; and

(II) such plan or contract amendment applies retroactively for such period.

(c) SPECIAL RULES FOR PERSONAL CASUALTY LOSSES RELATED TO LOUISIANA SEVERE STORMS AND FLOODING.—

(1) IN GENERAL.—If an individual has a net disaster loss for any taxable year beginning after December 31, 2017, and before January 1, 2026—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be equal to the sum of—

(i) such net disaster loss, and

(ii) so much of the excess referred to in the matter preceding clause (i) of section 165(h)(2)(A) of such Code (reduced by the amount in clause (i) of this subparagraph) as exceeds 10 percent of the adjusted gross income of the individual,

(B) section 165(h)(1) of such Code shall be applied by substituting “\$500” for “\$500 (\$100 for taxable years beginning after December 31, 2009)”;

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

(D) section 56(b)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph.

(2) NET DISASTER LOSS.—For purposes of this subsection, the term “net disaster loss” means the excess of qualified disaster-related personal casualty losses over personal casualty gains (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986).

(3) QUALIFIED DISASTER-RELATED PERSONAL CASUALTY LOSSES.—For purposes of this paragraph, the term “qualified disaster-related personal casualty losses” means losses described in section 165(c)(3) of the Internal Revenue Code of 1986 which arise—

(A) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(1) on or after August 11, 2016, and which are attributable to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(B) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(2) on or after March 1, 2016, and which are attributable to the severe storms

and flooding giving rise to the Presidential declaration described in subsection (a)(2).

PART IV—EDUCATION

SEC. 11031. TREATMENT OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY.

(a) IN GENERAL.—Section 108(f) is amended by adding at the end the following new paragraph:

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

“(A) IN GENERAL.—In the case of an individual, gross income for any taxable year beginning after December 31, 2017, and before January 1, 2026, 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 the death or total and permanent disability of the student.

“(B) LOANS DESCRIBED.—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(7) of the Consumer Credit Protection Act (15 U.S.C. 1650(7))).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to discharges of indebtedness after December 31, 2017.

SEC. 11032. INCREASE IN DEDUCTION FOR TEACHER EXPENSES.

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) is amended by striking “\$250” and inserting “\$250 (\$500 in the case of taxable years beginning after December 31, 2017, and before January 1, 2026)”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART V—DEDUCTIONS AND EXCLUSIONS

SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

(a) IN GENERAL.—Subsection (d) of section 151 is amended—

(1) by striking “In the case of” in paragraph (4) and inserting “Except as provided in paragraph (5), in the case of”, and

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

“(5) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) EXEMPTION AMOUNT.—The term ‘exemption amount’ means zero.

“(B) REFERENCES.—For purposes of any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowed or allowable, or whether a taxpayer is entitled to a deduction, under this section.”

(b) APPLICATION TO ESTATES AND TRUSTS.—Section 642(b)(2)(C) is amended by adding at the end the following new clause:

“(iii) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—

“(I) IN GENERAL.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, clause (i) shall be applied by substituting ‘\$4,150’ for ‘the exemption amount under section 151(d)’.

“(II) INFLATION ADJUSTMENT.—In the case of any calendar year beginning after 2018, the

\$4,150 amount in subparagraph (A) shall be increased by an amount equal to—

“(aa) such dollar amount, multiplied by

“(bb) 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.

If any increase determined under the preceding sentence is not a multiple of \$100, such increase shall be rounded to the next lowest multiple of \$100.”.

(c) EXCEPTION FOR WAGE WITHHOLDING RULES.—Section 3402(a) is amended by adding at the end the following new paragraph:

“(3) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—

“(A) IN GENERAL.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, paragraph (2) shall be applied by substituting ‘\$4,150’ for ‘the amount of one personal exemption provided in section 151(b)’.

“(B) INFLATION ADJUSTMENT.—In the case of any calendar year beginning after 2018, the \$4,150 amount in subparagraph (A) 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 the taxable year begins, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) thereof.

If any increase determined under the preceding sentence is not a multiple of \$100, such increase shall be rounded to the next lowest multiple of \$100.”.

(d) EXCEPTION FOR DETERMINING PROPERTY EXEMPT FROM LEVY.—Section 6334(d) is amended by adding at the end the following new paragraph:

“(4) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—

“(A) IN GENERAL.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, paragraph (2) shall not apply and for purposes of paragraph (1) the term ‘exempt amount’ means an amount equal to—

“(i) the sum of the amount determined under subparagraph (B) and the standard deduction, divided by

“(ii) 52.

“(B) AMOUNT DETERMINED.—For purposes of subparagraph (A), the amount determined under this subparagraph is \$4,150 multiplied by the number of the taxpayer’s dependents for the taxable year in which the levy occurs.

“(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, the \$4,150 amount in subparagraph (B) 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 the taxable year begins, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) thereof.

If any increase determined under the preceding sentence is not a multiple of \$100, such increase shall be rounded to the next lowest multiple of \$100.

“(D) VERIFIED STATEMENT.—Unless the taxpayer submits to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (A) shall be applied as if the taxpayer were a married individual filing a separate return with no dependents.”.

(e) PERSONS REQUIRED TO MAKE RETURNS OF INCOME.—Section 6012 is amended by adding at the end the following new subsection:

“(f) SPECIAL RULE FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, subsection (a)(1) shall not

apply, and every individual who has gross income for the taxable year shall be required to make returns with respect to income taxes under subtitle A, except that a return shall not be required of—

“(1) an individual who is not married (determined by applying section 7703) and who has gross income for the taxable year which does not exceed the standard deduction applicable to such individual for such taxable year under section 63, or

“(2) an individual entitled to make a joint return if—

“(A) the gross income of such individual, when combined with the gross income of such individual’s spouse, for the taxable year does not exceed the standard deduction which would be applicable to the taxpayer for such taxable year under section 63 if such individual and such individual’s spouse made a joint return,

“(B) such individual and such individual’s spouse have the same household as their home at the close of the taxable year,

“(C) such individual’s spouse does not make a separate return, and

“(D) neither such individual nor such individual’s spouse is an individual described in section 63(c)(5) who has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).

The amount specified in paragraph (1) or (2)(A) shall be increased by the amount of 1 additional standard deduction (within the meaning of section 63(c)(3)) in the case of an individual entitled to such deduction by reason of section 63(f)(1)(A) (relating to individuals age 65 or more), and by the amount of each additional standard deduction to which the individual or the individual’s spouse is entitled by reason of section 63(f)(1).”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) IN GENERAL.—Subsection (b) of section 164 is amended by adding at the end the following new paragraph:

“(6) SUSPENSION OF INDIVIDUAL DEDUCTIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of an individual and a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) paragraphs (1) and (2) of subsection (a) shall not apply to any real property or personal property taxes, other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212, and

“(B) subsection (a)(3) shall not apply to any State or local taxes.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11043. SUSPENSION OF DEDUCTION FOR HOME EQUITY INTEREST.

(a) IN GENERAL.—Section 163(h)(3)(A)(ii) is amended by inserting “in the case of taxable years beginning before January 1, 2018, or after December 31, 2025,” before “home equity indebtedness”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after December 31, 2017.

SEC. 11044. MODIFICATION OF DEDUCTION FOR PERSONAL CASUALTY LOSSES.

(a) IN GENERAL.—Subsection (h) of section 165 is amended by adding at the end the following new paragraph:

“(5) LIMITATION FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of any loss of an individual described in subsection (c)(3) which (but for this paragraph) would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026 (without regard to any election under sub-

section (i), such loss shall be allowed only to the extent it is attributable to a Federally declared disaster (as defined in subsection (i)(5)). The preceding sentence shall not apply to any deduction under section 172 which is carried to such a taxable year from a taxable year beginning before January 1, 2018.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to losses incurred in taxable years beginning after December 31, 2017.

SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED DEDUCTIONS.

(a) IN GENERAL.—Section 67 is amended by adding at the end the following new subsection:

“(g) SUSPENSION FOR TAXABLE YEARS 2018 THROUGH 2025.—Notwithstanding subsection (a), no miscellaneous itemized deduction shall be allowed for any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.

(a) IN GENERAL.—Section 68 is amended by adding at the end the following new subsection:

“(f) SECTION NOT TO APPLY.—This section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11047. MODIFICATION OF EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Section 121 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR SALES OR EXCHANGES IN TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In applying this section with respect to sales or exchanges after December 31, 2017, and before January 1, 2026—

“(A) ‘8-year’ shall be substituted for ‘5-year’ each place it appears in subsections (a), (b)(5)(C)(ii)(I), and (c)(1)(B)(i)(I) and paragraphs (7), (9), (10), and (12) of subsection (d),

“(B) ‘5 years’ shall be substituted for ‘2 years’ each place it appears in subsections (a), (b)(3), (b)(4), (b)(5)(C)(ii)(III), and (c)(1)(B)(ii), and

“(C) ‘5-year’ shall be substituted for ‘2-year’ in subsection (b)(3).

“(2) EXCEPTION FOR BINDING CONTRACTS.—Paragraph (1) shall not apply to any sale or exchange with respect to which there was a written binding contract in effect before January 1, 2018, and at all times thereafter before the sale or exchange.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after December 31, 2017.

SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED BICYCLE COMMUTING REIMBURSEMENT.

(a) IN GENERAL.—Section 132(f) is amended by adding at the end the following new paragraph:

“(8) SUSPENSION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT EXCLUSION.—Paragraph (1)(D) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11049. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.

(a) IN GENERAL.—Section 132(g) is amended—

(1) by striking “For purposes of this section, the term” and inserting “For purposes of this section—

“(1) IN GENERAL.—The term”, and

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

“(2) SUSPENSION FOR TAXABLE YEARS 2018 THROUGH 2025.—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, subsection (a)(6) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11050. SUSPENSION OF DEDUCTION FOR MOVING EXPENSES.

(a) IN GENERAL.—Section 217 is amended by adding at the end the following new subsection:

“(k) SUSPENSION OF DEDUCTION FOR TAXABLE YEARS 2018 THROUGH 2025.—Except in the case of an individual to whom subsection (g) applies, this section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11051. LIMITATION ON WAGERING LOSSES.

(a) IN GENERAL.—Section 165(d) is amended by adding at the end the following: “For purposes of the preceding sentence, in the case of taxable years beginning after December 31, 2017, and before January 1, 2026, the term ‘losses from wagering transactions’ includes any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART VI—INCREASE IN ESTATE AND GIFT TAX EXEMPTION

SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMPTION.

(a) IN GENERAL.—Section 2010(c)(3) is amended by adding at the end the following new subparagraph:

“(C) INCREASE IN BASIC EXCLUSION AMOUNT.—In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, subparagraph (A) shall be applied by substituting ‘\$10,000,000’ for ‘\$5,000,000’.”.

(b) CONFORMING AMENDMENT.—Subsection (g) of section 2001 is amended to read as follows:

“(g) MODIFICATIONS TO TAX PAYABLE.—

“(1) MODIFICATIONS TO GIFT TAX PAYABLE TO REFLECT DIFFERENT TAX RATES.—For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under subsection (c) in effect at the decedent’s death shall, in lieu of the rates of tax in effect at the time of such gifts, be used both to compute—

“(A) the tax imposed by chapter 12 with respect to such gifts, and

“(B) the credit allowed against such tax under section 2505, including in computing—

“(i) the applicable credit amount under section 2505(a)(1), and

“(ii) the sum of the amounts allowed as a credit for all preceding periods under section 2505(a)(2).

“(2) MODIFICATIONS TO ESTATE TAX PAYABLE TO REFLECT DIFFERENT BASIC EXCLUSION AMOUNTS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this section with respect to any difference between—

“(A) the basic exclusion amount under section 2010(c)(3) applicable at the time of the decedent’s death, and

“(B) the basic exclusion amount under such section applicable with respect to any gifts made by the decedent.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying and gifts made after December 31, 2017.

PART VII—TAXPAYER RIGHTS AND TAX ADMINISTRATION

SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY.

(a) EXTENSION OF TIME FOR RETURN OF PROPERTY SUBJECT TO LEVY.—Subsection (b) of section 6343 is amended by striking “9 months” and inserting “2 years”.

(b) PERIOD OF LIMITATION ON SUITS.—Subsection (c) of section 6532 is amended—

(1) by striking “9 months” in paragraph (1) and inserting “2 years”, and

(2) by striking “9-month” in paragraph (2) and inserting “2-year”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) levies made after the date of the enactment of this Act, and

(2) levies made on or before such date if the 9-month period has not expired under section 6343(b) of the Internal Revenue Code of 1986 (without regard to this section) as of such date.

SEC. 11072. INDIVIDUALS HELD HARMLESS ON IMPROPER LEVY ON RETIREMENT PLANS.

(a) IN GENERAL.—Section 6343 is amended by adding at the end the following new subsection:

“(f) INDIVIDUALS HELD HARMLESS ON WRONGFUL LEVY, ETC. ON RETIREMENT PLAN.—

“(1) IN GENERAL.—If the Secretary determines that an individual’s account or benefit under an eligible retirement plan (as defined in section 402(c)(8)(B)) has been levied upon in a case to which subsection (b) or (d)(2)(A) applies and property or an amount of money is returned to the individual—

“(A) the individual may contribute such property or an amount equal to the sum of—

“(i) the amount of money so returned by the Secretary, and

“(ii) interest paid under subsection (c) on such amount of money,

into such eligible retirement plan if such contribution is permitted by the plan, or into an individual retirement plan (other than an endowment contract) to which a rollover contribution of a distribution from such eligible retirement plan is permitted, but only if such contribution is made not later than the due date (not including extensions) for filing the return of tax for the taxable year in which such property or amount of money is returned, and

“(B) the Secretary shall, at the time such property or amount of money is returned, notify such individual that a contribution described in subparagraph (A) may be made.

“(2) TREATMENT AS ROLLOVER.—The distribution on account of the levy and any contribution under paragraph (1) with respect to the return of such distribution shall be treated for purposes of this title as if such distribution and contribution were described in section 402(c), 402A(c)(3), 403(a)(4), 403(b)(8), 408(d)(3), 408A(d)(3), or 457(e)(16), whichever is applicable; except that—

“(A) the contribution shall be treated as having been made for the taxable year in which the distribution on account of the levy occurred, and the interest paid under subsection (c) shall be treated as earnings within the plan after the contribution and shall not be included in gross income, and

“(B) such contribution shall not be taken into account under section 408(d)(3)(B).

“(3) REFUND, ETC., OF INCOME TAX ON LEVY.—

“(A) IN GENERAL.—If any amount is includible in gross income for a taxable year by reason of a distribution on account of a levy referred to in paragraph (1) and any portion of such amount is treated as a rollover contribution under paragraph (2), any tax imposed by chapter 1 on such portion shall not be assessed, and if assessed shall be abated, and if collected shall be credited or refunded as an overpayment made on the due date for filing the return of tax for such taxable year.

“(B) EXCEPTION.—Subparagraph (A) shall not apply to a rollover contribution under this subsection which is made from an eligible retirement plan which is not a Roth IRA or a designated Roth account (within the meaning of section 402A) to a Roth IRA or a designated Roth account under an eligible retirement plan.

“(4) INTEREST.—Notwithstanding subsection (d), interest shall be allowed under subsection (c) in a case in which the Secretary makes a determination described in subsection (d)(2)(A) with respect to a levy upon an individual retirement plan.

“(5) TREATMENT OF INHERITED ACCOUNTS.—For purposes of paragraph (1)(A), section 408(d)(3)(C) shall be disregarded in determining whether an individual retirement plan is a plan to which a rollover contribution of a distribution from the plan levied upon is permitted.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid under subsections (b), (c), and (d)(2)(A) of section 6343 of the Internal Revenue Code of 1986 in taxable years beginning after December 31, 2017.

SEC. 11073. MODIFICATION OF USER FEE REQUIREMENTS FOR INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—Section 6159 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) INSTALLMENT AGREEMENT FEES.—

“(1) LIMITATION ON FEE AMOUNT.—The amount of any fee imposed on an installment agreement under this section may not exceed the amount of such fee as in effect on the date of the enactment of this subsection.

“(2) WAIVER OR REIMBURSEMENT.—In the case of any taxpayer with an adjusted gross income, as determined for the most recent year for which such information is available, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary)—

“(A) if the taxpayer has agreed to make payments under the installment agreement by electronic payment through a debit instrument, no fee shall be imposed on an installment agreement under this section, and

“(B) if the taxpayer is unable to make payments under the installment agreement by electronic payment through a debit instrument, the Secretary shall, upon completion of the installment agreement, pay the taxpayer an amount equal to any such fees imposed.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date which is 60 days after the date of the enactment of this Act.

SEC. 11074. FORM 1040SR FOR SENIORS.

(a) IN GENERAL.—The Secretary of the Treasury (or the Secretary’s delegate) shall make available a form, to be known as “Form 1040SR”, for use by individuals to file the return of tax imposed by chapter 1 of the Internal Revenue Code of 1986. Such form shall be as similar as practicable to Form 1040EZ, except that—

(1) the form shall be available only to individuals who have attained age 65 as of the close of the taxable year,

(2) the form may be used even if income for the taxable year includes—

(A) social security benefits (as defined in section 86(d) of the Internal Revenue Code of 1986),

(B) distributions from qualified retirement plans (as defined in section 4974(c) of such Code), annuities or other such deferred payment arrangements,

(C) interest and dividends, or

(D) capital gains and losses taken into account in determining adjusted net capital gain (as defined in section 1(h)(3) of such Code), and

(3) the form shall be available without regard to the amount of any item of taxable income or the total amount of taxable income for the taxable year.

(b) EFFECTIVE DATE.—The form required by subsection (a) shall be made available for taxable years beginning after the date of the enactment of this Act and ending before January 1, 2026.

SEC. 11075. SENSE OF THE SENATE ON IMPROVING CUSTOMER SERVICE AND PROTECTIONS FOR TAXPAYERS BY REINSTATING APPROPRIATE FUNDING LEVELS.

It is the sense of the Senate that politically motivated budget cuts—

(1) are counterproductive to deficit reduction,

(2) diminish the ability of the Internal Revenue Service to adequately serve taxpayers and protect taxpayer information, and

(3) reduce the ability of the Internal Revenue Service to enforce the law.

SEC. 11076. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

(a) IN GENERAL.—Chapter 77 is amended by inserting after section 7526 the following new section:

“SEC. 7526A. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

“(a) VOLUNTEER INCOME TAX ASSISTANCE MATCHING GRANT PROGRAM.—

“(1) ESTABLISHMENT OF PROGRAM.—The Secretary, through the Internal Revenue Service, shall establish a Community Volunteer Income Tax Assistance Matching Grant Program (hereinafter in this section referred to as the ‘VITA grant program’). Except as otherwise provided in this section, the VITA grant program shall be administered in a manner which is substantially similar to the Community Volunteer Income Tax Assistance matching grants demonstration program established under title I of division D of the Consolidated Appropriations Act, 2008.

“(2) MATCHING GRANTS.—

“(A) IN GENERAL.—The Secretary shall, subject to the availability of appropriated funds, make available grants under the VITA grant program to provide matching funds for the development, expansion, or continuation of qualified return preparation programs assisting low-income taxpayers and members of underserved populations.

“(B) APPLICATION.—

“(i) IN GENERAL.—Subject to clause (ii), in order to be eligible for a grant under this section, a qualified return preparation program shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary reasonably requires.

“(ii) ACCURACY REVIEW.—In the case of any qualified return preparation program which was awarded a grant under this section and was subsequently subject to a field site visit by the Internal Revenue Service (including through the Stakeholder Partnerships, Education, and Communication office) in which it was determined that the average accuracy rate for preparation of tax returns through such program was less than 90 percent, such program shall not be eligible for any addi-

tional grants under this section unless such program provides, as part of their application, sufficient documentation regarding the corrective measures established by such program to address the deficiencies identified following the field site visit.

“(C) PRIORITY.—In awarding grants under this section, the Secretary shall give priority to applications—

“(i) demonstrating assistance to low-income taxpayers, with emphasis on outreach to and services for such taxpayers,

“(ii) demonstrating taxpayer outreach and educational activities relating to eligibility and availability of income supports available through the Internal Revenue Code of 1986, such as the earned income tax credit, and

“(iii) demonstrating specific outreach and focus on one or more underserved populations.

“(D) DURATION OF GRANTS.—Upon application of a qualified return preparation program, the Secretary is authorized to award a multi-year grant not to exceed 3 years.

“(3) AGGREGATE LIMITATION.—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than \$30,000,000 per fiscal year (exclusive of costs of administering the program) to carry out the purposes of this section.

“(b) USE OF FUNDS.—

“(1) IN GENERAL.—Qualified return preparation programs receiving a grant under this section may use the grant for—

“(A) ordinary and necessary costs associated with program operation in accordance with Cost Principles Circulars as set forth by the Office of Management and Budget, including—

“(i) for wages or salaries of persons coordinating the activities of the program,

“(ii) to develop training materials, conduct training, and perform quality reviews of the returns for which assistance has been provided under the program, and

“(iii) for equipment purchases and vehicle-related expenses associated with remote or rural tax preparation services,

“(B) outreach and educational activities described in subsection (a)(2)(C)(ii), and

“(C) services related to financial education and capability, asset development, and the establishment of savings accounts in connection with tax return preparation.

“(2) USE OF GRANTS FOR OVERHEAD EXPENSES PROHIBITED.—No grant made under this section may be used for overhead expenses that are not directly related to any qualified return preparation program.

“(c) PROMOTION AND REFERRAL.—

“(1) PROMOTION.—The Secretary shall promote the benefits of, and encourage the use of, tax preparation through qualified return preparation programs through the use of mass communications, referrals, and other means.

“(2) INTERNAL REVENUE SERVICE REFERRALS.—The Secretary shall refer taxpayers to qualified return preparation programs receiving funding under this section.

“(3) VITA GRANTEE REFERRAL.—Qualified return preparation programs receiving a grant under this section are encouraged to refer, as appropriate, to local or regional Low Income Taxpayer Clinics individuals who are eligible to receive services at such clinics.

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

“(1) QUALIFIED RETURN PREPARATION PROGRAM.—The term ‘qualified return preparation program’ means any program—

“(A) which provides assistance to individuals, not less than 90 percent of whom are low-income taxpayers, in preparing and filing Federal income tax returns,

“(B) which is administered by a qualified entity,

“(C) in which all of the volunteers who assist in the preparation of Federal income tax returns meet the training requirements prescribed by the Secretary, and

“(D) which uses a quality review process which reviews 100 percent of all returns.

“(2) QUALIFIED ENTITY.—

“(A) IN GENERAL.—The term ‘qualified entity’ means any entity which—

“(i) is an eligible organization (as described in subparagraph (B)),

“(ii) is in compliance with Federal tax filing and payment requirements,

“(iii) is not debarred or suspended from Federal contracts, grants, or cooperative agreements, and

“(iv) agrees to provide documentation to substantiate any matching funds provided under the VITA grant program.

“(B) ELIGIBLE ORGANIZATION.—

“(i) IN GENERAL.—Subject to clause (ii), the term ‘eligible organization’ means—

“(I) an institution of higher education which is described in section 102 (other than subsection (a)(1)(C) thereof) of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and which has not been disqualified from participating in a program under title IV of such Act,

“(II) an organization described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code,

“(III) a local government agency, including—

“(aa) a county or municipal government agency, and

“(bb) an Indian tribe, as defined in section 4(13) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(13)), including any tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), tribal subsidiary, subdivision, or other wholly owned tribal entity, or

“(IV) a local, State, regional, or national coalition (with one lead organization which meets the eligibility requirements of subclause (I), (II), or (III) acting as the applicant organization).

“(ii) ALTERNATIVE ELIGIBLE ORGANIZATION.—If no eligible organization described in clause (i) is available to assist the targeted population or community, the term ‘eligible organization’ shall include—

“(I) a State government agency, and

“(II) a Cooperative Extension Service office.

“(3) LOW-INCOME TAXPAYERS.—The term ‘low-income taxpayer’ means a taxpayer who has income for the taxable year which does not exceed an amount equal to the completed phaseout amount under section 32(b) for a married couple filing a joint return with three or more qualifying children, as determined in a revenue procedure or other published guidance.

“(4) UNDERSERVED POPULATION.—The term ‘underserved population’ includes populations of persons with disabilities, persons with limited English proficiency, Native Americans, individuals living in rural areas, members of the Armed Forces and their spouses, and the elderly.”

(b) CLERICAL AMENDMENT.—The table of sections for chapter 77 is amended by inserting after the item relating to section 7526 the following new item:

“7526A. Return preparation programs for low-income taxpayers.”

SEC. 11077. FREE FILE PROGRAM.

(a) The Secretary of the Treasury, or the Secretary's delegate, shall continue to operate the IRS Free File Program as established by the Internal Revenue Service and published in the Federal Register on November

4, 2002 (67 Fed. Reg. 67247), including any subsequent agreements and governing rules established pursuant thereto.

(b) The IRS Free File Program shall continue to provide free commercial-type online individual income tax preparation and electronic filing services to the lowest 70 percent of taxpayers by income. The number of taxpayers eligible to receive such services each year shall be calculated by the Internal Revenue Service annually based on prior year aggregate taxpayer adjusted gross income data.

(c) In addition to the services described in subsection (b), and in the same manner, the IRS Free File Program shall continue to make available to all taxpayers (without regard to income) a basic, online electronic fillable forms utility.

(d) The IRS Free File Program shall continue to work cooperatively with the private sector to provide the free individual income tax preparation and the electronic filing services described in subsections (b) and (c).

(e) The IRS Free File Program shall work cooperatively with State government agencies to enhance and expand the use of the program to provide needed benefits to the taxpayer while reducing the cost of processing returns.

(f) Nothing in this section is intended to impact the continuity of services provided under Taxpayer Assistance Centers, Tax Counseling for the Elderly, and Volunteer Income Tax Assistance programs.

SEC. 11078. ATTORNEYS' FEES RELATING TO AWARDS TO WHISTLEBLOWERS.

(a) IN GENERAL.—Paragraph (21) of section 62(a) is amended to read as follows:

“(21) ATTORNEYS' FEES RELATING TO AWARDS TO WHISTLEBLOWERS.—

“(A) IN GENERAL.—Any deduction allowable under this chapter for attorney fees and court costs paid by, or on behalf of, the taxpayer in connection with any award under—

“(i) section 7623(b), or

“(ii) in the case of taxable years beginning after December 31, 2017, and before January 1, 2026, any action brought under—

“(I) section 21F of the Securities Exchange Act of 1934 (15 U.S.C. 78u-6),

“(II) a State law relating to false or fraudulent claims that meets the requirements described in section 1909(b) of the Social Security Act (42 U.S.C. 1396h(b)), or

“(III) section 23 of the Commodity Exchange Act (7 U.S.C. 26).

“(B) MAY NOT EXCEED AWARD.—Subparagraph (A) shall not apply to any deduction in excess of the amount includible in the taxpayer's gross income for the taxable year on account of such award.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11079. CLARIFICATION OF WHISTLEBLOWER AWARDS.

(a) DEFINITION OF PROCEEDS.—

(1) IN GENERAL.—Section 7623 is amended by adding at the end the following new subsection:

“(c) PROCEEDS.—For purposes of this section, the term ‘proceeds’ includes—

“(1) penalties, interest, additions to tax, and additional amounts provided under the internal revenue laws, and

“(2) any proceeds arising from laws for which the Internal Revenue Service is authorized to administer, enforce, or investigate, including—

“(A) criminal fines and civil forfeitures, and

“(B) violations of reporting requirements.”.

(2) CONFORMING AMENDMENTS.—Paragraphs (1) and (2)(A) of section 7623(b) are each amended by striking “collected proceeds (in-

cluding penalties, interest, additions to tax, and additional amounts) resulting from the action” and inserting “proceeds collected as a result of the action”.

(b) AMOUNT OF PROCEEDS DETERMINED WITHOUT REGARD TO AVAILABILITY.—Paragraphs (1) and (2)(A) of section 7623(b) are each amended by inserting “(determined without regard to whether such proceeds are available to the Secretary)” after “in response to such action”.

(c) DISPUTED AMOUNT THRESHOLD.—Section 7623(b)(5)(B) is amended by striking “tax, penalties, interest, additions to tax, and additional amounts” and inserting “proceeds”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to information provided before, on, or after the date of the enactment of this Act with respect to which a final determination for an award has not been made before such date of enactment.

PART VIII—INDIVIDUAL MANDATE

SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY PAYMENT FOR INDIVIDUALS FAILING TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

(a) IN GENERAL.—Section 5000A(c) is amended—

(1) in paragraph (2)(B)(iii), by striking “2.5 percent” and inserting “Zero percent”, and

(2) in paragraph (3)—

(A) by striking “\$695” in subparagraph (A) and inserting “\$0”, and

(B) by striking subparagraph (D).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to months beginning after December 31, 2018.

Subtitle B—Alternative Minimum Tax

SEC. 12001. REPEAL OF TAX FOR CORPORATIONS.

(a) IN GENERAL.—Section 55(a) is amended by striking “There” and inserting “In the case of a taxpayer other than a corporation, there”.

(b) CONFORMING AMENDMENTS.—

(1) Section 38(c)(6) is amended by adding at the end the following new subparagraph:

“(E) CORPORATIONS.—In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.”.

(2)(A) Section 55(b)(1) is amended to read as follows:

“(1) AMOUNT OF TENTATIVE TAX.—

“(A) IN GENERAL.—The tentative minimum tax for the taxable year is the sum of—

“(i) 26 percent of so much of the taxable excess as does not exceed \$175,000, plus

“(ii) 28 percent of so much of the taxable excess as exceeds \$175,000.

The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

“(B) TAXABLE EXCESS.—For purposes of this subsection, the term ‘taxable excess’ means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

“(C) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return, subparagraph (A) shall be applied by substituting 50 percent of the dollar amount otherwise applicable under clause (i) and cause (ii) thereof. For purposes of the preceding sentence, marital status shall be determined under section 7703.”.

(B) Section 59(a) is amended—

(1) by striking “subparagraph (A)(i) or (B)(i) of section 55(b)(1) (whichever applies) in lieu of the highest rate of tax specified in section 1 or 11 (whichever applies)” in paragraph (1)(C) and inserting “section 55(b)(1) in lieu of the highest rate of tax specified in section 1”, and

(ii) in paragraph (2), by striking “means” and all that follows and inserting “means

the amount determined under the first sentence of section 55(b)(1).”.

(C) Section 897(a)(2)(A) is amended by striking “section 55(b)(1)(A)” and inserting “section 55(b)(1)”.

(D) Section 911(f) is amended—

(i) in paragraph (1)(B)—

(I) by striking “section 55(b)(1)(A)(ii)” and inserting “section 55(b)(1)(B)”, and

(II) by striking “section 55(b)(1)(A)(i)” and inserting “section 55(b)(1)(A)”, and

(ii) in paragraph (2)(B), by striking “section 55(b)(1)(A)(ii)” each place it appears and inserting “section 55(b)(1)(B)”.

(3) Section 55(c)(1) is amended by striking “, the section 936 credit allowable under section 27(b), and the Puerto Rico economic activity credit under section 30A”.

(4) Section 55(d) is amended—

(A) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively,

(B) in paragraph (2) (as so redesignated), by inserting “and” at the end of subparagraph (B), by striking “, and” at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D), and

(C) in paragraph (3) (as so redesignated)—

(i) by striking “(b)(1)(A)(i)” in subparagraph (B)(i) and inserting “(b)(1)(A)”, and

(ii) by striking “paragraph (3)” in subparagraph (B)(iii) and inserting “paragraph (2)”.

(5) Section 55 is amended by striking subsection (e).

(6)(A) Section 56 is amended by striking subsections (c) and (g).

(B) Section 847 is amended by striking the last sentence of paragraph (9).

(C) Section 848 is amended by striking subsection (i).

(7) Section 58(a) is amended by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(8) Section 59 is amended by striking subsections (b) and (f).

(9) Section 11(d) is amended by striking “the taxes imposed by subsection (a) and section 55” and inserting “the tax imposed by subsection (a)”.

(10) Section 12 is amended by striking paragraph (7).

(11) Section 168(k) is amended by striking paragraph (4).

(12) Section 882(a)(1) is amended by striking “, 55.”.

(13) Section 962(a)(1) is amended by striking “sections 11 and 55” and inserting “section 11”.

(14) Section 1561(a) is amended—

(A) by inserting “and” at the end of paragraph (1), by striking “, and” at the end of paragraph (2) and inserting a period, and by striking paragraph (3), and

(B) by striking the last sentence.

(15) Section 6425(c)(1)(A) is amended to read as follows:

“(A) the tax imposed by section 11 or 1201(a), or subchapter L of chapter 1, whichever is applicable, over”.

(16) Section 6655(e)(2) is amended by striking “and alternative minimum taxable income” each place it appears in subparagraphs (A) and (B)(i).

(17) Section 6655(g)(1)(A) is amended by inserting “plus” at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12002. SUSPENSION OF TAX ON INDIVIDUALS.

(a) IN GENERAL.—Section 55(a) is amended by adding at the end the following new flush sentence:

“No tax shall be imposed by this section for any taxable year beginning after December 31, 2017, and before January 1, 2026, and the

tentative minimum tax of any taxpayer for any such taxable year shall be zero for purposes of this title.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12003. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.

(a) **CREDITS TREATED AS REFUNDABLE.**—Section 53 is amended by adding at the end the following new subsection:

“(e) **PORTION OF CREDIT TREATED AS REFUNDABLE.**—

“(1) **IN GENERAL.**—In the case of any taxable year beginning in 2018, 2019, 2020, or 2021, the limitation under subsection (c) shall be increased by the AMT refundable credit amount for such year.

“(2) **AMT REFUNDABLE CREDIT AMOUNT.**—For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 50 percent (100 percent in the case of a taxable year beginning in 2021) of the excess (if any) of—

“(A) the minimum tax credit determined under subsection (b) for the taxable year, over

“(B) the minimum tax credit allowed under subsection (a) for such year (before the application of this subsection for such year).

“(3) **CREDIT REFUNDABLE.**—For purposes of this title (other than this section), the credit allowed by reason of this subsection shall be treated as a credit allowed under subpart C (and not this subpart).

“(4) **SHORT TAXABLE YEARS.**—In the case of any taxable year of less than 365 days, the AMT refundable credit amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined without regard to this paragraph as the number of days in such taxable year bears to 365.”.

(b) **TREATMENT OF REFERENCES.**—Section 53(d) is amended by adding at the end the following new paragraph:

“(3) **AMT TERM REFERENCES.**—In the case of a corporation, any references in this subsection to section 55, 56, or 57 shall be treated as a reference to such section as in effect before the amendments made by Tax Cuts and Jobs Act.”.

(c) **CONFORMING AMENDMENT.**—Section 1374(b)(3)(B) is amended by striking the last sentence thereof.

(d) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) **CONFORMING AMENDMENT.**—The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2021.

Subtitle C—Business-related Provisions

PART I—CORPORATE PROVISIONS

Subpart A—20-percent Tax Rate

SEC. 13001. 20-PERCENT CORPORATE TAX RATE.

(a) **IN GENERAL.**—Subsection (b) of section 11 is amended to read as follows:

“(b) **AMOUNT OF TAX.**—The amount of the tax imposed by subsection (a) shall be 20 percent of taxable income.”.

(b) **CONFORMING AMENDMENTS.**—

(1) The following sections are each amended by striking “section 11(b)(1)” and inserting “section 11(b)”:

(A) Section 280C(c)(3)(B)(ii)(II).

(B) Paragraphs (2)(B) and (6)(A)(ii) of section 860E(e).

(C) Section 7874(e)(1)(B)

(2)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4).

(C) Section 453A(c)(3) is amended by striking “or 1201 (whichever is appropriate)”.

(D) Section 527(b) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and inserting:

“(b) **TAX IMPOSED.**—A tax”.

(E) Sections 594(a) is amended by striking “taxes imposed by section 11 or 1201(a)” and inserting “tax imposed by section 11”.

(F) Section 691(c)(4) is amended by striking “1201.”.

(G) Section 801(a) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes “is hereby imposed” and inserting:

“(a) **TAX IMPOSED.**—A tax”.

(H) Section 831(e) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(I) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking “sec. 1201 and following.”.

(J) Section 852(b)(3)(A) is amended by striking “section 1201(a)” and inserting “section 11(b)”.

(K) Section 857(b)(3) is amended—

(i) by striking subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,

(ii) in subparagraph (C), as so redesignated—

(I) by striking “subparagraph (A)(ii)” in clause (i) thereof and inserting “paragraph (1)”.

(II) by striking “the tax imposed by subparagraph (A)(ii)” in clauses (ii) and (iv) thereof and inserting “the tax imposed by paragraph (1) on undistributed capital gain”.

(iii) in subparagraph (E), as so redesignated, by striking “subparagraph (B) or (D)” and inserting “subparagraph (A) or (C)”, and

(iv) by adding at the end the following new subparagraph:

“(F) **UNDISTRIBUTED CAPITAL GAIN.**—For purposes of this paragraph, the term ‘undistributed capital gain’ means the excess of the net capital gain over the deduction for dividends paid (as defined in section 561) determined with reference to capital gain dividends only.”.

(L) Section 882(a)(1), as amended by section 12001, is amended by striking “or 1201(a)”.

(M) Section 904(b) is amended—

(i) by striking “or 1201(a)” in paragraph (2)(C),

(ii) by striking paragraph (3)(D) and inserting the following:

“(D) **CAPITAL GAIN RATE DIFFERENTIAL.**—There is a capital gain rate differential for any year if subsection (h) of section 1 applies to such taxable year.”. and

(iii) by striking paragraph (3)(E) and inserting the following:

“(E) **RATE DIFFERENTIAL PORTION.**—The rate differential portion of foreign source net capital gain, net capital gain, or the excess of net capital gain from sources within the United States over net capital gain, as the case may be, is the same proportion of such amount as—

“(i) the excess of—

“(I) the highest rate of tax set forth in subsection (a), (b), (c), (d), or (e) of section 1 (whichever applies), over

“(II) the alternative rate of tax determined under section 1(h), bears to

“(ii) that rate referred to in subclause (I).”.

(N) Section 1374(b) is amended by striking paragraph (4).

(O) Section 1381(b) is amended by striking “taxes imposed by section 11 or 1201” and inserting “tax imposed by section 11”.

(P) Sections 6425(c)(1)(A), as amended by section 12001, and 6655(g)(1)(A)(i) are each amended by striking “or 1201(a).”.

(Q) Section 7518(g)(6)(A) is amended by striking “or 1201(a)”.

(3)(A) Section 1445(e)(1) is amended—

(i) by striking “35 percent” and inserting “the highest rate of tax in effect for the taxable year under section 11(b)”, and

(ii) by striking “of the gain” and inserting “multiplied by the gain”.

(B) Section 1445(e)(2) is amended by striking “35 percent of the amount” and inserting “the highest rate of tax in effect for the taxable year under section 11(b) multiplied by the amount”.

(C) Section 1445(e)(6) is amended—

(i) by striking “35 percent” and inserting “the highest rate of tax in effect for the taxable year under section 11(b)”, and

(ii) by striking “of the amount” and inserting “multiplied by the amount”.

(D) Section 1446(b)(2)(B) is amended by striking “section 11(b)(1)” and inserting “section 11(b)”.

(4) Section 852(b)(1) is amended by striking the last sentence.

(5)(A) Part I of subchapter B of chapter 5 is amended by striking section 1551 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 535(c)(5) is amended to read as follows:

“(5) **CROSS REFERENCE.**—For limitation on credit provided in paragraph (2) or (3) in the case of certain controlled corporations, see section 1561.”.

(6)(A) Section 1561, as amended by section 12001, is amended to read as follows:

“SEC. 1561. LIMITATION ON ACCUMULATED EARNINGS CREDIT IN THE CASE OF CERTAIN CONTROLLED CORPORATIONS.

“(a) **IN GENERAL.**—The component members of a controlled group of corporations on a December 31 shall, for their taxable years which include such December 31, be limited for purposes of this subtitle to one \$250,000 (\$150,000 if any component member is a corporation described in section 535(c)(2)(B)) amount for purposes of computing the accumulated earnings credit under section 535(c)(2) and (3). Such amount shall be divided equally among the component members of such group on such December 31 unless the Secretary prescribes regulations permitting an unequal allocation of such amount.

“(b) **CERTAIN SHORT TAXABLE YEARS.**—If a corporation has a short taxable year which does not include a December 31 and is a component member of a controlled group of corporations with respect to such taxable year, then for purposes of this subtitle, the amount to be used in computing the accumulated earnings credit under section 535(c)(2) and (3) of such corporation for such taxable year shall be the amount specified in subsection (a) with respect to such group, divided by the number of corporations which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.”.

(B) The table of sections for part II of subchapter B of chapter 5 is amended by striking the item relating to section 1561 and inserting the following new item:

“Sec. 1561. Limitation on accumulated earnings credit in the case of certain controlled corporations.”.

(7) Section 7518(g)(6)(A) is amended—

(A) by striking “With respect to the portion” and inserting “In the case of a taxpayer other than a corporation, with respect to the portion”, and

(B) by striking “(34 percent in the case of a corporation)”.

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as otherwise provided in this subsection, the amendments

made by this section shall apply to taxable years beginning after December 31, 2018.

(2) **WITHHOLDING.**—The amendments made by subsection (b)(3) shall apply to distributions made after December 31, 2018.

(3) **CERTAIN TRANSFERS.**—The amendments made by subsection (b)(6) shall apply to transfers made after December 31, 2018.

(d) **NORMALIZATION REQUIREMENTS.**—

(1) **IN GENERAL.**—A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.

(2) **ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.**—If, as of the first day of the taxable year that includes the date of enactment of this Act—

(A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and

(B) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method,

the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction.

(3) **DEFINITIONS.**—For purposes of this subsection—

(A) **EXCESS TAX RESERVE.**—The term “excess tax reserve” means the excess of—

(i) the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986) as determined under the Internal Revenue Code of 1986 as in effect on the day before the date of the enactment of this Act, over

(ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods.

(B) **AVERAGE RATE ASSUMPTION METHOD.**—The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, if timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying—

(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by

(ii) the amount of the timing differences which reverse during such period.

(C) **ALTERNATIVE METHOD.**—The “alternative method” is the method in which the taxpayer—

(i) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and

(ii) reduces the excess tax reserve ratably over the remaining regulatory life of the property.

(4) **TAX INCREASED FOR NORMALIZATION VIOLATION.**—If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting, the taxpayer's tax for the taxable year shall be increased by the

amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting.

SEC. 13002. REDUCTION IN DIVIDEND RECEIVED DEDUCTIONS TO REFLECT LOWER CORPORATE INCOME TAX RATES.

(a) **DIVIDENDS RECEIVED BY CORPORATIONS.**—

(1) **IN GENERAL.**—Section 243(a)(1) is amended by striking “70 percent” and inserting “50 percent”.

(2) **DIVIDENDS FROM 20-PERCENT OWNED CORPORATIONS.**—Section 243(c)(1) is amended—

(A) by striking “80 percent” and inserting “65 percent”, and

(B) by striking “70 percent” and inserting “50 percent”.

(3) **CONFORMING AMENDMENT.**—The heading for section 243(c) is amended by striking “RETENTION OF 80-PERCENT DIVIDEND RECEIVED DEDUCTION” and inserting “INCREASED PERCENTAGE”.

(b) **DIVIDENDS RECEIVED FROM FSC.**—Section 245(c)(1)(B) is amended—

(1) by striking “70 percent” and inserting “50 percent”, and

(2) by striking “80 percent” and inserting “65 percent”.

(c) **LIMITATION ON AGGREGATE AMOUNT OF DEDUCTIONS.**—Section 246(b)(3) is amended—

(1) by striking “80 percent” in subparagraph (A) and inserting “65 percent”, and

(2) by striking “70 percent” in subparagraph (B) and inserting “50 percent”.

(d) **REDUCTION IN DEDUCTION WHERE PORTFOLIO STOCK IS DEBT-FINANCED.**—Section 246A(a)(1) is amended—

(1) by striking “70 percent” and inserting “50 percent”, and

(2) by striking “80 percent” and inserting “65 percent”.

(e) **INCOME FROM SOURCES WITHIN THE UNITED STATES.**—Section 861(a)(2) is amended—

(1) by striking “100/70th” and inserting “100/50th” in subparagraph (B), and

(2) in the flush sentence at the end—

(A) by striking “100/80th” and inserting “100/65th”, and

(B) by striking “100/70th” and inserting “100/50th”.

(f) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendments made by this section (other than subsection (c) thereof) shall apply to dividends received by a corporation after December 31, 2018, in taxable years ending after such date.

(2) **LIMITATION.**—The amendments made by section 102(c) shall apply to taxable years beginning after December 31, 2018.

Subpart B—Dividends Paid Deduction for Domestic Corporations

SEC. 13011. DIVIDENDS PAID DEDUCTION.

(a) **GENERAL RULE.**—Part VIII of subchapter B of chapter 1 is amended by inserting after section 241 the following:

“Subpart B—Dividends Paid Deduction

“Sec. 242. Dividends paid deduction.

“SEC. 242. DIVIDENDS PAID DEDUCTION.

“(a) **ALLOWANCE OF DEDUCTION.**—In the case of an eligible corporation, there shall be allowed as a deduction an amount equal to zero percent of the aggregate amount of applicable dividends paid by the corporation during the taxable year.

“(b) **APPLICABLE DIVIDEND.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘applicable dividend’ means, with respect to an eligible corporation, any distribution by the eligible corporation during a taxable year which is—

“(A) treated as a dividend for purposes of this chapter, and

“(B) paid out of its applicable earnings and profits.

“(2) **ORDERING RULE FOR DIVIDEND PAYMENTS.**—For purposes of paragraph (1)(B), dividends shall be treated as paid—

“(A) first, out of exempt earnings and profits,

“(B) second, out of applicable earnings and profits, and

“(C) finally, out of earnings and profits not described in subparagraph (A) or (B).

“(3) **COORDINATION WITH OTHER DEDUCTIONS.**—Such term shall not include—

“(A) any amount allowed as a deduction under section 591 (relating to deduction for dividends paid by mutual savings banks, etc.), and

“(B) any dividend described in paragraph (2) of section 404(k) (relating to deduction for dividends paid on certain employer securities).

“(4) **ELECTION TO TREAT CERTAIN DISTRIBUTIONS PAID AFTER CLOSE OF YEAR AS PAID DURING YEAR.**—For purposes of this title, an eligible corporation may elect on its return of tax for any taxable year to treat any distribution made on or before the 15th day of the 4th month following the close of the taxable year as having been made immediately before the close of the taxable year. The preceding sentence shall not apply for purposes of determining the time the distribution was received by the shareholder to whom the distribution was made.

“(5) **APPLICABLE EARNINGS AND PROFITS.**—

“(A) **IN GENERAL.**—The term ‘applicable earnings and profits’ means, with respect to any corporation for any taxable year, its earnings and profits for the taxable year and its earnings and profits accumulated in prior taxable years beginning after December 31, 2018. For purposes of the preceding sentence, earnings and profits for the taxable year shall be determined without regard to the deduction under this section for the taxable year.

“(B) **EXEMPT EARNINGS AND PROFITS NOT TREATED AS APPLICABLE EARNINGS AND PROFITS.**—The applicable earnings and profits of a corporation shall not include any exempt earnings and profits (as defined in paragraph (6)).

“(C) **LOOK-THRU IN THE CASE OF DIVIDENDS RECEIVED FROM CONTROLLED FOREIGN CORPORATION OR 10/50 CORPORATION.**—If a corporation which is a United States shareholder in a controlled foreign corporation, or is a shareholder in a foreign corporation with respect to which the shareholder meets the stock ownership requirements of section 902(a), receives a dividend (other than a dividend to which subparagraph (B) applies) from such controlled foreign corporation or such foreign corporation, the earnings and profits from such dividend shall not be treated as applicable earnings and profits of the corporation receiving such dividend to the extent of any portion of the dividend not properly allocable (as determined under section 316, as modified by section 959(c) in the case of such controlled foreign corporation) to applicable earnings and profits of such controlled foreign corporation or such foreign corporation.

“(6) **EXEMPT EARNINGS AND PROFITS.**—

“(A) **IN GENERAL.**—The term ‘exempt earnings and profits’ means, with respect to any corporation for any taxable year, its earnings and profits for the taxable year and its earnings and profits accumulated in prior taxable years beginning after December 31, 2018, which are properly allocable to exempt amounts received or accrued by the corporation.

“(B) **EXEMPT AMOUNTS.**—The term ‘exempt amounts’ means, with respect to any corporation—

“(i) any dividend to the extent of the deduction allowable to the corporation under section 243, 245, or 245A with respect to the dividend,

“(ii) any foreign-derived intangible income (as defined in section 250(b)) or global intangible low-taxed income (as defined in section 951A(b)) to the extent of the deduction allowable to the corporation under section 250 with respect to any such income.

“(iii) any increase in subpart F income by reason of section 965 to the extent of the deduction allowable to the corporation under section 965(c)(1) with respect to any such income, and

“(iv) any other amount to the extent such amount is exempt from taxation under this title.

“(7) PROPER ALLOCATION OF DIVIDENDS TO EARNINGS AND PROFITS.—

“(A) IN GENERAL.—The Secretary shall prescribe rules for the proper allocation of dividends to earnings and profits for purposes of applying this subsection.

“(B) LOOK THROUGH RULES.—For purposes of paragraph (4)(C), such rules shall include rules requiring in appropriate cases the look through to earnings and profits of members of any affiliated group including a controlled foreign corporation or foreign corporation described in such paragraph where the earnings and profits of such controlled foreign corporation or such foreign corporation are attributable to distributions received from other members of the group.

“(C) ELIGIBLE CORPORATION.—For purposes of this section, the term ‘eligible corporation’ means any domestic corporation other than—

“(1) a regulated investment company,
 “(2) a real estate investment trust,
 “(3) an S corporation,
 “(4) a corporation which is exempt from tax under section 501 or 521,

“(5) an organization taxable under subchapter T of this chapter (relating to cooperative organizations),

“(6) a cooperative governed by the rules applicable to cooperatives as in effect before the enactment of subchapter T, or

“(7) a DISC or former DISC.

“(d) REPORTING REQUIREMENT.—

“(1) IN GENERAL.—Each eligible corporation which makes payments of dividends during the reporting period for any taxable year shall make a return, according to the forms and regulations prescribed by the Secretary, setting forth—

“(A) the aggregate amount of such dividends,

“(B) the aggregate amount of such dividends with respect to which the corporation is claiming a deduction under this section for the taxable year,

“(C) the aggregate amount of such dividends which the corporation paid during the period beginning on the 1st day of the reporting taxable year and ending on the 15th day of the 4th month of such taxable year which the corporation elected under subsection (b)(4) to treat as paid in the preceding taxable year,

“(D) the aggregate amount of such dividends which the corporation paid during the period beginning on the 1st day of the taxable year following the reporting taxable year and ending on the 15th day of the 4th month of such following taxable year which the corporation elected under subsection (b)(4) to treat as paid in the reporting taxable year, and

“(E) such other information with respect to such dividends as the Secretary shall require for the administration of this section.

“(2) REPORTING PERIOD; DUE DATE.—For purposes of this subsection—

“(A) REPORTING PERIOD.—The term ‘reporting period’ means with respect to any taxable year, the period beginning on the 1st day of the taxable year and ending on the 15th day of the 4th month following the close of the taxable year.

“(B) DUE DATE.—Any return under paragraph (1) with respect to any taxable year shall be included with the return of income tax for such taxable year.”.

(b) PENALTY FOR FAILURE TO REPORT.—Section 6652, as amended by subtitle E of this Act, is amended by adding at the end the following new subsection:

“(r) FAILURE TO FILE RETURNS BY CORPORATIONS ELIGIBLE FOR DIVIDENDS PAID DEDUCTION.—

“(1) PENALTY FOR FAILURE TO FILE RETURN.—In the case of a failure to make a return required under section 242(d) containing the information required by such section by the due date for the return, the eligible corporation shall pay (on notice and demand by the Secretary and in the same manner as tax) a penalty of \$1,000 per day for each day such failure continues unless it is shown that such failure is due to reasonable cause. The maximum amount of the penalty under this paragraph with respect to any failure for a taxable year shall not exceed \$250,000.

“(2) ELIGIBLE CORPORATION.—For purposes of this subsection, the term ‘eligible corporation’ has the meaning given such term by section 242(c).”.

(c) DIVIDENDS PAID DEDUCTION ALLOWABLE ONLY IN TAXABLE YEAR OF DIVIDEND PAYMENT.—

(1) IN GENERAL.—Subsection (d) of section 172, as amended by section 11011, is amended by adding at the end the following new paragraph:

“(9) DIVIDENDS PAID DEDUCTION.—The deduction under section 242 shall not be allowed.”.

(2) TREATMENT OF CARRYBACKS AND CARRYOVERS.—Subparagraph (A) of section 172(b)(2), as amended by section 13302, is amended by striking “and (5)” and inserting “(5), and (8)”.

(d) OTHER CONFORMING AMENDMENTS.—Part VIII of subchapter B of chapter 1 is amended—

(1) by striking the table of sections and inserting the following:

“PART VIII—SPECIAL DEDUCTIONS FOR CORPORATIONS

“SUBPART A. ALLOWANCE OF SPECIAL DEDUCTIONS.

“SUBPART B. DIVIDENDS PAID DEDUCTION.

“SUBPART C. DIVIDENDS RECEIVED DEDUCTIONS.

“SUBPART D. OTHER DEDUCTIONS.

“Subpart A—Allowance of Special Deductions

“Sec. 241. Allowance of special deductions.”.

(2) by inserting the following before section 243:

“Subpart C—Dividends Received Deductions

“Sec. 243. Dividends received by corporations.

“Sec. 245. Dividends received from certain foreign corporations.

“Sec. 245A. Deduction for foreign-source portion of dividends received by domestic corporations from specified 10-percent owned foreign corporations.

“Sec. 246. Rules applying to deductions for dividends received.

“Sec. 246A. Dividends received deduction reduced where portfolio stock is debt financed.”. and

(3) by inserting the following before section 248:

“Subpart D—Other Deductions

“Sec. 248. Organizational expenditures.

“Sec. 249. Limitation of deduction of bond premium on repurchase.

“Sec. 250. Foreign-derived intangible income and global intangible low-taxed income.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends

paid in taxable years of the payor beginning after December 31, 2018.

SEC. 13012. TAX EQUIVALENT TO DIVIDENDS PAID DEDUCTION FOR CERTAIN FOREIGN CORPORATIONS.

(a) DIVIDENDS PAID DEDUCTION.—Paragraph (1) of section 882(c) is amended by adding at the end the following new subparagraph:

“(C) SPECIAL RULE FOR DIVIDENDS PAID DEDUCTION.—For purposes of subparagraph (A)—

“(i) the deduction under section 242 shall not be allowed for any taxable year, and

“(ii) there shall be allowed, in lieu of such deduction, a deduction in an amount equal to zero percent of the dividend equivalent amount (as defined in section 884(b)) of the foreign corporation for the taxable year.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 13013. ALLOCATION OF DIVIDEND EXPENSE AMONG MEMBERS OF WORLDWIDE AFFILIATED GROUPS.

(a) IN GENERAL.—Paragraph (6) of section 864(e) is amended to read as follows:

“(6) ALLOCATION AND APPORTIONMENT OF OTHER EXPENSES.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), expenses other than interest which are not directly allocable or apportioned to any specific income producing activity shall be allocated and apportioned as if all members of the affiliated group were a single corporation.

“(B) DIVIDEND EXPENSE.—The dividend expense of any domestic corporation which is a member of an affiliated group shall be allocated and apportioned to income from sources without the United States in the same proportion which—

“(i) the aggregate amount of income treated as from sources without the United States by all domestic corporations which are members of such group (determined without regard to such dividend expense), bears to

“(ii) the aggregate income of all such domestic corporations from sources within and without the United States (as so determined).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2018.

PART II—SMALL BUSINESS REFORMS

SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSING DEPRECIABLE BUSINESS ASSETS.

(a) INCREASE IN LIMITATION.—

(1) DOLLAR LIMITATION.—Section 179(b)(1) is amended by striking “\$500,000” and inserting “\$1,000,000”.

(2) REDUCTION IN LIMITATION.—Section 179(b)(2) is amended by striking “\$2,000,000” and inserting “\$2,500,000”.

(3) INFLATION ADJUSTMENTS.—

(A) IN GENERAL.—Subparagraph (A) of section 179(b)(6) is amended—

(i) by striking “2015” and inserting “2018”, and

(ii) in clause (ii), by striking “calendar year 2014” and inserting “calendar year 2017”.

(B) SPORT UTILITY VEHICLES.—Section 179(b)(6) is amended—

(i) in subparagraph (A), by striking “paragraphs (1) and (2)” and inserting “paragraphs (1), (2), and (5)(A)”, and

(ii) in subparagraph (B), by inserting “(\$100 in the case of any increase in the amount under paragraph (5)(A))” after “\$10,000”.

(b) SECTION 179 PROPERTY TO INCLUDE QUALIFIED REAL PROPERTY.—

(1) IN GENERAL.—Subparagraph (B) of section 179(d)(1) is amended to read as follows:

“(B) which is—

“(i) section 1245 property (as defined in section 1245(a)(3)), or

“(ii) qualified real property (as defined in subsection (f)), and”.

(2) **QUALIFIED REAL PROPERTY DEFINED.**—Subsection (f) of section 179 is amended to read as follows:

“(f) **QUALIFIED REAL PROPERTY.**—For purposes of this subsection, the term ‘qualified real property’ means—

“(1) any qualified improvement property described in section 168(e)(6), and

“(2) any of the following improvements to nonresidential real property placed in service after the date such property was first placed in service:

“(A) Roofs.

“(B) Heating, ventilation, and air-conditioning property.

“(C) Fire protection and alarm systems.

“(D) Security systems.”.

(c) **REPEAL OF EXCLUSION FOR CERTAIN PROPERTY.**—The last sentence of section 179(d)(1) is amended by inserting “(other than paragraph (2) thereof)” after “section 50(b)”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2017.

SEC. 13102. MODIFICATIONS OF GROSS RECEIPTS TEST FOR USE OF CASH METHOD OF ACCOUNTING BY CORPORATIONS AND PARTNERSHIPS.

(a) **MODIFICATIONS OF GROSS RECEIPTS TEST.**—

(1) **IN GENERAL.**—So much of section 448(c) as precedes paragraph (2) is amended to read as follows:

“(c) **GROSS RECEIPTS TEST.**—

“(1) **IN GENERAL.**—A corporation or partnership meets the gross receipts test of this subsection for any taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with the taxable year which precedes such taxable year does not exceed the applicable dollar limit.”.

(2) **APPLICABLE DOLLAR LIMIT.**—Subsection (c) of section 448 is amended by adding at the end the following new paragraph:

“(4) **APPLICABLE DOLLAR LIMIT.**—

“(A) **IN GENERAL.**—The applicable dollar limit is \$15,000,000.

“(B) **ADJUSTMENT FOR INFLATION.**—In the case of any taxable year beginning after December 31, 2018, the \$15,000,000 amount under subparagraph (A) 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 the taxable year begins, by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any amount as increased under the preceding sentence is not a multiple of \$1,000, such amount shall be rounded to the next lowest multiple of \$1,000.”.

(3) **CHANGE IN METHOD OF ACCOUNTING.**—Paragraph (7) of section 448(d) is amended—

(A) by striking “In the case of” and all that follows up to subparagraph (A) and inserting: “If a taxpayer changes its method of accounting because the taxpayer is prohibited from using the cash receipts and disbursement method of accounting by reason of subsection (a) or is no longer prohibited from using such method by reason of such subsection—”, and

(B) by inserting “and” at the end of subparagraph (A), by striking “, and” at the end of subparagraph (B) and inserting a period, and by striking subparagraph (C).

(4) **CONFORMING AMENDMENT.**—Paragraph (3) of section 448(b) is amended to read as follows:

“(3) **ENTITIES SATISFYING GROSS RECEIPTS TEST.**—Paragraphs (1) and (2) of subsection

(a) shall not apply to any corporation or partnership for any taxable year if such entity meets the gross receipts test of subsection (c) for the taxable year.”.

(b) **APPLICATION OF MODIFICATIONS TO FARMING CORPORATIONS.**—

(1) **IN GENERAL.**—Paragraph (1) of section 447(d) is amended to read as follows:

“(1) **IN GENERAL.**—A corporation meets the requirements of this subsection for any taxable year with respect to its gross receipts if the corporation meets the gross receipts test of section 448(c) for the taxable year.”.

(2) **FAMILY CORPORATIONS.**—Paragraph (2) of section 447(d) is amended—

(A) by striking subparagraph (A) and inserting the following:

“(A) **IN GENERAL.**—In the case of a family corporation, in applying section 448(c) for purposes of paragraph (1)—

“(i) paragraph (1) of section 448(c) shall be applied by substituting the applicable family corporation limit for the applicable dollar limit, and

“(ii) the rules of subparagraph (B) shall apply in computing gross receipts.”.

(B) Clause (1) of section 447(d)(2)(B) is amended by striking “the last sentence of paragraph (1)” and inserting “paragraph (2) of section 448(c)”, and

(C) by adding at the end the following new subparagraph:

“(D) **APPLICABLE FAMILY CORPORATION LIMIT.**—

“(i) **IN GENERAL.**—The applicable family corporation limit is \$25,000,000.

“(ii) **ADJUSTMENT FOR INFLATION.**—In the case of any taxable year beginning after December 31, 2018, the \$25,000,000 amount under clause (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 the taxable year begins, by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any amount as increased under the preceding sentence is not a multiple of \$1,000, such amount shall be rounded to the next lowest multiple of \$1,000.”.

(3) **EXCEPTION FOR CERTAIN CORPORATIONS.**—Subsection (c) of section 447 is amended by inserting “for any taxable year” after “not being a corporation”.

(4) **CHANGE IN METHOD OF ACCOUNTING.**—Section 447(f) is amended—

(A) by striking “In the case of” and all that follows up to paragraph (1) and inserting the following: “If a taxpayer changes its method of accounting because the taxpayer is required to use an accrual method of accounting by reason of subsection (a) or is no longer required to use such method by reason of such subsection—”, and

(B) by striking paragraph (2) and inserting the following:

“(2) such change shall be treated as initiated by the taxpayer, and”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13103. CLARIFICATION OF INVENTORY ACCOUNTING RULES FOR SMALL BUSINESSES.

(a) **CLARIFICATION OF INVENTORY RULES.**—

(1) **IN GENERAL.**—Section 471 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

“(c) **SMALL BUSINESS TAXPAYERS NOT REQUIRED TO USE INVENTORIES.**—

“(1) **IN GENERAL.**—A qualified taxpayer shall not be required to use inventories under this section for a taxable year.

“(2) **TREATMENT OF TAXPAYERS NOT USING INVENTORIES.**—A qualified taxpayer who is

not required under this subsection to use inventories with respect to any property for a taxable year beginning after December 31, 2017, may treat such property—

“(A) as a non-incident material or supply, or

“(B) in a manner which conforms to the taxpayer’s method for accounting for such property in—

“(i) an applicable financial statement (as defined in section 451(b)(1)), or

“(ii) in the case of a taxpayer that does not have an applicable financial statement, their books and records used for purposes of determining tax imposed by this title.

(3) **QUALIFIED TAXPAYER.**—For purposes of this subsection, the term ‘qualified taxpayer’ means, with respect to any taxable year, a taxpayer who meets the gross receipts test of section 448(c) for the taxable year (or, in the case of a sole proprietorship, who would meet such test if such proprietorship were a corporation). Such term shall not include a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3).

(4) **COORDINATION WITH SECTION 481.**—If a taxpayer changes its method of accounting because the taxpayer is not required to use inventories by reason of paragraph (1) or is required to use inventories because such paragraph no longer applies to the taxpayer—

“(A) such change shall be treated as initiated by the taxpayer, and

“(B) such change shall be treated as made with the consent of the Secretary.”.

(2) **CONFORMING AMENDMENT.**—Subsection (c) of section 263A is amended by adding at the end the following new paragraph:

“(8) **EXCLUSION FROM INVENTORY RULES.**—Nothing in this section shall require the use of inventories for any taxable year by a qualified taxpayer (within the meaning of section 471(c)(3)) who is not required to use inventories under section 471 for such taxable year.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13104. MODIFICATION OF RULES FOR UNIFORM CAPITALIZATION OF CERTAIN EXPENSES.

(a) **IN GENERAL.**—Section 263A(b) is amended by striking all that follows paragraph (1) and inserting the following new paragraphs:

“(2) **PROPERTY ACQUIRED FOR RESALE.**—Real or personal property described in section 1221(a)(1) which is acquired by the taxpayer for resale.

“(3) **EXCEPTION FOR SMALL BUSINESSES.**—This section shall not apply to any taxpayer who meets the gross receipts test under section 448(c) for the taxable year (or, in the case of a sole proprietorship, who would meet such test if such proprietorship were a corporation), other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3).

“(4) **FILMS, SOUND RECORDINGS, BOOKS, ETC.**—For purposes of this subsection, the term ‘tangible personal property’ shall include a film, sound recording, video tape, book, or similar property.

“(5) **COORDINATION WITH SECTION 481.**—If a taxpayer changes its method of accounting because this section does not apply to the taxpayer by reason of the exception under paragraph (3) or this section applies to the taxpayer because such exception no longer applies to the taxpayer—

“(A) such change shall be treated as initiated by the taxpayer, and

“(B) such change shall be treated as made with the consent of the Secretary.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13105. INCREASE IN GROSS RECEIPTS TEST FOR CONSTRUCTION CONTRACT EXCEPTION TO PERCENTAGE OF COMPLETION METHOD.

(a) INCREASE.—

(1) IN GENERAL.—Section 460(e)(1)(B) is amended—

(A) in the matter preceding clause (i), by inserting “(other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3))” after “taxpayer”, and

(B) by striking clause (ii) and inserting the following:

“(i) who meets the gross receipts test of section 448(c) for the taxable year in which such contract is entered into (or, in the case of a sole proprietorship, who would meet such test if such proprietorship were a corporation).”.

(2) CONFORMING AMENDMENTS.—

(A) Section 460(e) is amended by striking paragraphs (2) and (3) and by redesignating paragraphs (4) through (6) as paragraphs (2) through (4), respectively.

(B) The last sentence of section 56(a)(3) is amended by striking “section 460(e)(6)” and inserting “section 460(e)(4)”.

(b) COORDINATION WITH SECTION 481.—Section 460(e), as amended by subsection (a), is amended by adding at the end the following:

“(5) COORDINATION WITH SECTION 481.—If a taxpayer changes its method of accounting because subsections (a), (b), (c)(1), and (c)(2) do not apply by reason of the exception under paragraph (1)(B) or such subsections apply to the taxpayer because such exception no longer applies to the taxpayer—

“(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 permitted only on a cut-off basis for all similarly classified contracts entered into on or after the year of change and no adjustments under section 481(a) shall be made.”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to contracts entered into after December 31, 2017, in taxable years ending after such date.

PART III—COST RECOVERY AND ACCOUNTING METHODS

Subpart A—Cost Recovery

SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

(a) IN GENERAL.—

(1) 100 PERCENT EXPENSING.—Section 168(k) is amended—

(A) in paragraph (1)(A), by striking “50 percent” and inserting “100 percent”, and

(B) in paragraph (5)(A)(i), by striking “50 percent” and inserting “100 percent”.

(2) EXTENSION THROUGH 2022.—Section 168(k) is amended—

(A) in the heading, by striking “DECEMBER 31, 2007, AND BEFORE JANUARY 1, 2020” and inserting “SEPTEMBER 27, 2017, AND BEFORE JANUARY 1, 2023”,

(B) in paragraph (2)—

(i) in subparagraph (A)(iii), clauses (i)(III) and (ii) of subparagraph (B), and subparagraph (E)(i), by striking “January 1, 2020” each place it appears and inserting “January 1, 2023”, and

(ii) in subparagraph (B)—

(I) in clause (i)(II), by striking “January 1, 2021” and inserting “January 1, 2024”, and

(II) in the heading of clause (ii), by striking “PRE-JANUARY 1, 2020” and inserting “PRE-JANUARY 1, 2023”, and

(C) in paragraph (5)(A), by striking “January 1, 2020” and inserting “January 1, 2023”.

(3) EXCEPTION FOR PUBLIC UTILITIES.—Paragraph (6) of section 168(k) is amended to read as follows:

“(6) EXCEPTION FOR CERTAIN PUBLIC UTILITY PROPERTY.—The term ‘qualified property’ shall not include any property which is primarily used in a trade or business described in clause (iv) of section 163(j)(7)(A).”.

(4) SPECIAL RULE.—Section 168(k) is amended by adding at the end the following new paragraph:

“(8) SPECIAL RULE FOR PROPERTY PLACED IN SERVICE DURING CERTAIN PERIODS.—

“(A) IN GENERAL.—In the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, if the taxpayer elects to have this paragraph apply for such taxable year, paragraphs (1)(A) and (5)(A)(i) shall be applied by substituting ‘50 percent’ for ‘100 percent’.

“(B) FORM OF ELECTION.—Any election under this paragraph shall be made at such time and in such form and manner as the Secretary may prescribe.”.

(5) COORDINATION WITH SECTION 280F.—Section 168(k)(2)(F) is amended by striking clause (iii).

(6) QUALIFIED FILM AND TELEVISION AND LIVE THEATRICAL PRODUCTIONS.—

(A) IN GENERAL.—Clause (i) of section 168(k)(2)(A), as amended by section 13204, is amended—

(i) in subclause (II), by striking “or”,

(ii) in subclause (III), by adding “or” after the comma, and

(iii) by adding at the end the following:

“(IV) which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

“(V) which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection.”.

(B) PRODUCTION PLACED IN SERVICE.—Paragraph (2) of section 168(k) is amended by adding at the end the following:

“(H) PRODUCTION PLACED IN SERVICE.—For purposes of subparagraph (A)—

“(i) a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and

“(ii) a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance.”.

(7) CONFORMING AMENDMENTS.—

(A) Paragraph (5) of section 168(k) is amended by striking subparagraph (F).

(B) Clause (ii) of section 460(c)(6)(B) is amended by striking “January 1, 2020 (January 1, 2021” and inserting “January 1, 2023 (January 1, 2024”.

(b) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by subsection (a) shall apply to property placed in service after September 27, 2017, in taxable years ending after such date.

(2) CERTAIN PLANTS.—The amendments made by paragraphs (1)(B) and (2)(C) of subsection (a) shall apply to specified plants planted or grafted after September 27, 2017, in taxable years ending after such date.

SEC. 13202. MODIFICATIONS TO DEPRECIATION LIMITATIONS ON LUXURY AUTOMOBILES AND PERSONAL USE PROPERTY.

(a) LUXURY AUTOMOBILES.—

(1) IN GENERAL.—280F(a)(1)(A) is amended—

(A) in clause (i), by striking “\$2,560” and inserting “\$10,000”,

(B) in clause (ii), by striking “\$4,100” and inserting “\$16,000”,

(C) in clause (iii), by striking “\$2,450” and inserting “\$9,600”, and

(D) in clause (iv), by striking “\$1,475” and inserting “\$5,760”.

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 280F(a)(1)(B) is amended by striking “\$1,475” in the text and heading and inserting “\$5,760”.

(B) Paragraph (7) of section 280F(d) is amended—

(i) in subparagraph (A), by striking “1988” and inserting “2018”, and

(ii) in subparagraph (B)(i)(II), by striking “1987” and inserting “2017”.

(b) REMOVAL OF COMPUTER EQUIPMENT FROM LISTED PROPERTY.—

(1) IN GENERAL.—Section 280F(d)(4)(A) is amended—

(A) by inserting “and” at the end of clause (iii),

(B) by striking clause (iv), and

(C) by redesignating clause (v) as clause (iv).

(2) CONFORMING AMENDMENT.—Section 280F(d)(4) is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2017, in taxable years ending after such date.

SEC. 13203. MODIFICATIONS OF TREATMENT OF CERTAIN FARM PROPERTY.

(a) TREATMENT OF CERTAIN FARM PROPERTY AS 5-YEAR PROPERTY.—Clause (vii) of section 168(e)(3)(B) is amended by striking “after December 31, 2008, and which is placed in service before January 1, 2010” and inserting “after December 31, 2017”.

(b) REPEAL OF REQUIRED USE OF 150-PERCENT DECLINING BALANCE METHOD.—Section 168(b)(2) is amended by striking subparagraph (B) and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2017, in taxable years ending after such date.

SEC. 13204. APPLICABLE RECOVERY PERIOD FOR REAL PROPERTY.

(a) RESIDENTIAL RENTAL PROPERTY AND NONRESIDENTIAL REAL PROPERTY.—

(1) REDUCTION OF RECOVERY PERIOD.—The table contained in section 168(c) is amended—

(A) by striking “27.5 years” and inserting “25 years”, and

(B) by striking “39 years” and inserting “25 years”.

(2) STATUTORY RECOVERY PERIOD.—The table contained in section 467(e)(3)(A) is amended—

(A) by inserting “(other than residential rental property and nonresidential real property)” after “15-year and 20-year property”, and

(B) by striking “19 years” and inserting “25 years”.

(3) CONFORMING AMENDMENT.—Clause (ii) of section 168(e)(2)(B) is amended by striking “27.5 years” and inserting “25 years”.

(b) IMPROVEMENTS TO REAL PROPERTY.—

(1) CLASSIFICATION OF QUALIFIED IMPROVEMENT PROPERTY AS 10-YEAR PROPERTY.—Subparagraph (D) of section 168(e)(3) is amended—

(A) in clause (iii), by striking “and”,

(B) in clause (iv), by striking the period and inserting “, and”, and

(C) by adding at the end the following new clause:

“(v) any qualified improvement property described in subsection (e)(6).”.

(2) ELIMINATION OF QUALIFIED LEASEHOLD IMPROVEMENT, QUALIFIED RESTAURANT, AND

QUALIFIED RETAIL IMPROVEMENT PROPERTY.— Subsection (e) of section 168 is amended—

(A) in subparagraph (E) of paragraph (3)— (i) by striking clauses (iv), (v), and (ix), (ii) in clause (vii), by inserting “and” at the end,

(iii) in clause (viii), by striking “, and” and inserting a period, and

(iv) by redesignating clauses (vi), (vii), and (viii), as so amended, as clauses (iv), (v), and (vi), respectively, and

(B) by striking paragraphs (6), (7), and (8).

(3) APPLICATION OF STRAIGHT LINE METHOD TO QUALIFIED IMPROVEMENT PROPERTY.—Paragraph (3) of section 168(b) is amended—

(A) by striking subparagraphs (G), (H), and (I), and

(B) by inserting after subparagraph (F) the following new subparagraph:

“(G) Qualified improvement property described in subsection (e)(6).”.

(4) ALTERNATIVE DEPRECIATION SYSTEM.—

(A) ELECTING REAL PROPERTY TRADE OR BUSINESS.—Subsection (g) of section 168 is amended—

(i) in paragraph (1)—

(I) in subparagraph (D), by striking “and” at the end,

(II) in subparagraph (E), by inserting “and” at the end, and

(III) by inserting after subparagraph (E) the following new subparagraph:

“(F) any property described in paragraph (8),” and

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

“(8) ELECTING REAL PROPERTY TRADE OR BUSINESS.—The property described in this paragraph shall consist of any nonresidential real property, residential rental property, and qualified improvement property held by an electing real property trade or business (as defined in 163(j)(7)(B)).”.

(B) QUALIFIED IMPROVEMENT PROPERTY.—The table contained in subparagraph (B) of section 168(g)(3) is amended—

(i) by inserting after the item relating to subparagraph (D)(ii) the following new item:

“(D)(v) 20”.

, and

(ii) by striking the item relating to subparagraph (E)(iv) and all that follows through the item relating to subparagraph (E)(ix) and inserting the following:

“(E)(iv) 20
(E)(v) 30
(E)(vi) 35”.

(C) APPLICABLE RECOVERY PERIOD FOR RESIDENTIAL RENTAL PROPERTY.—The table contained in subparagraph (C) of section 168(g)(2) is amended by striking clauses (iii) and (iv) and inserting the following:

“(iii) Residential rental property 30 years
(iv) Nonresidential real property 40 years
(v) Any railroad grading or tunnel bore or water utility property 50 years”.

(5) CONFORMING AMENDMENTS.—

(A) Clause (i) of section 168(k)(2)(A) is amended—

(i) in subclause (II), by inserting “or” after the comma,

(ii) in subclause (III), by striking “or” at the end, and

(iii) by striking subclause (IV).

(B) Section 168 is amended—

(i) in subsection (e), as amended by paragraph (2)(B), by adding at the end the following:

“(6) QUALIFIED IMPROVEMENT PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the

date such building was first placed in service.

“(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator, or
“(iii) the internal structural framework of the building.”.

(ii) in subsection (k), by striking paragraph (3).

(c) EFFECTIVE DATE.—

(1) APPLICATION.—The amendments made by this section shall apply to property placed in service after December 31, 2017.

(2) SHORTER RECOVERY PERIOD OR MORE ACCELERATED DEPRECIATION METHOD.—In the case of property placed in service before January 1, 2018, if the amendments made by this section result in—

(A) an applicable recovery period which is less than the applicable recovery period for such property before enactment of such amendments, or

(B) an applicable depreciation method which is more accelerated than the applicable depreciation method for such property before enactment of such amendments, the depreciation deduction for such property shall, for any taxable year beginning after December 31, 2017, be determined as if such property were placed in service on January 1, 2018.

SEC. 13205. USE OF ALTERNATIVE DEPRECIATION SYSTEM FOR ELECTING FARMING BUSINESSES.

(a) IN GENERAL.—Section 168(g)(1), as amended by section 13204, is amended by striking “and” at the end of subparagraph (E), by inserting “and” at the end of subparagraph (F), and by inserting after subparagraph (F) the following new subparagraph:

“(G) any property with a recovery period of 10 years or more which is held by an electing farming business (as defined in section 163(j)(7)(C)).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13206. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) IN GENERAL.—Section 174 is amended to read as follows:

“SEC. 174. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

“(a) IN GENERAL.—In the case of a taxpayer’s specified research or experimental expenditures for any taxable year—

“(1) except as provided in paragraph (2), no deduction shall be allowed for such expenditures, and

“(2) the taxpayer shall—
“(A) charge such expenditures to capital account, and

“(B) be allowed an amortization deduction of such expenditures ratably over the 5-year period (15-year period in the case of any specified research or experimental expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F))) beginning with the midpoint of the taxable year in which such expenditures are paid or incurred.

“(b) SPECIFIED RESEARCH OR EXPERIMENTAL EXPENDITURES.—For purposes of this section, the term ‘specified research or experimental expenditures’ means, with respect to any taxable year, research or experimental expenditures which are paid or incurred by the taxpayer during such taxable year in connection with the taxpayer’s trade or business.

“(c) 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.

“(d) TREATMENT UPON DISPOSITION, RETIREMENT, OR ABANDONMENT.—If any property with respect to which specified research or experimental expenditures are paid or incurred is disposed, retired, or abandoned during the period during which such expenditures are allowed as an amortization deduction under this section, no deduction shall be allowed with respect to such expenditures on account of such disposition, retirement, or abandonment and such amortization deduction shall continue with respect to such expenditures.”.

(b) CHANGE IN METHOD OF ACCOUNTING.—The amendments made by subsection (a) shall be treated as a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 and—

(1) such change shall be treated as initiated by the taxpayer.

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

(3) 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, 2025, and no adjustments under section 481(a) shall be made.

(c) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 174 and inserting the following new item:

“Sec. 174. Amortization of research and experimental expenditures.”.

(d) CONFORMING AMENDMENTS.—

(1) Section 41(d)(1)(A) is amended by striking “expenses under section 174” and inserting “specified research or experimental expenditures under section 174”.

(2) Subsection (c) of section 280C is amended—

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

“(1) IN GENERAL.—If—
“(A) the amount of the credit determined for the taxable year under section 41(a)(1), exceeds

“(B) the amount allowable as a deduction for such taxable year for qualified research expenses or basic research expenses, the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.”.

(B) by striking paragraph (2),

(C) by redesignating paragraphs (3) (as amended by this Act) and (4) as paragraphs (2) and (3), respectively, and

(D) in paragraph (2), as redesignated by subparagraph (C), by striking “paragraphs (1) and (2)” and inserting “paragraph (1)”.

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

SEC. 13207. EXPENSING OF CERTAIN COSTS OF REPLANTING CITRUS PLANTS LOST BY REASON OF CASUALTY.

(a) IN GENERAL.—Section 263A(d)(2) is amended by adding at the end the following new subparagraph:

“(C) SPECIAL TEMPORARY RULE FOR CITRUS PLANTS LOST BY REASON OF CASUALTY.—

“(i) IN GENERAL.—In the case of the replanting of citrus plants, subparagraph (A) shall apply to amounts paid or incurred by a person (other than the taxpayer described in subparagraph (A)) if—

“(I) the taxpayer described in subparagraph (A) has an equity interest of not less than 50 percent in the replanted citrus plants at all times during the taxable year in which such amounts were paid or incurred and such other person holds any part of the remaining equity interest, or

“(II) such other person acquired the entirety of such taxpayer’s equity interest in the land on which the lost or damaged citrus plants were located at the time of such loss or damage, and the replanting is on such land.

“(ii) TERMINATION.—Clause (i) shall not apply to any cost paid or incurred after the date which is 10 years after the date of the enactment of the Tax Cuts and Jobs Act.”.

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

Subpart B—Accounting Methods

SEC. 13221. CERTAIN SPECIAL RULES FOR TAXABLE YEAR OF INCLUSION.

(a) INCLUSION NOT LATER THAN FOR FINANCIAL ACCOUNTING PURPOSES.—Section 451 is amended by redesignating subsections (b) through (i) as subsections (c) through (j), respectively, and by inserting after subsection (a) the following new subsection:

“(b) INCLUSION NOT LATER THAN FOR FINANCIAL ACCOUNTING PURPOSES.—Notwithstanding part V of subchapter P—

“(1) FINANCIAL STATEMENT.—

“(A) IN GENERAL.—In the case of a taxpayer the taxable income of which is computed under the accrual method of accounting, the amount of any portion of any item of gross income shall be included in gross income not later than the taxable year with respect to which such amount is taken into account as income in—

“(i) an applicable financial statement of the taxpayer, or

“(ii) such other financial statement as the Secretary may specify for purposes of this subsection.

“(B) EXCEPTION.—In the case of a taxpayer which does not have a financial statement described in clause (i) or (ii) of subparagraph (A) for a taxable year, such subparagraph shall not apply.

“(2) COORDINATION WITH SPECIAL RULES FOR LONG-TERM CONTRACTS.—Paragraph (1) shall not apply with respect to any item of income to which section 460 applies.

“(3) APPLICABLE FINANCIAL STATEMENT.—For purposes of this subsection, the term ‘applicable financial statement’ means—

“(A) a financial statement which is certified as being prepared in accordance with generally accepted accounting principles and which is—

“(i) a 10-K (or successor form), or annual statement to shareholders, required to be filed by the taxpayer with the United States Securities and Exchange Commission,

“(ii) an audited financial statement of the taxpayer which is used for—

“(I) credit purposes,

“(II) reporting to shareholders, partners, or other proprietors, or to beneficiaries, or

“(III) any other substantial nontax purpose,

but only if there is no statement of the taxpayer described in clause (i), or

“(iii) filed by the taxpayer with any other Federal agency for purposes other than Federal tax purposes, but only if there is no statement of the taxpayer described in clause (i) or (ii),

“(B) a financial statement which is made on the basis of international financial reporting standards and is filed by the taxpayer with an agency of a foreign government which is equivalent to the United States Securities and Exchange Commission and which has reporting standards not less stringent than the standards required by such Commission, but only if there is no statement of the taxpayer described in subparagraph (A), or

“(C) a financial statement filed by the taxpayer with any other regulatory or governmental body specified by the Secretary, but only if there is no statement of the taxpayer described in subparagraph (A) or (B).

“(4) ALLOCATION OF TRANSACTION PRICE.—For purposes of this subsection, in the case of a contract which contains multiple performance obligations, the allocation of the transaction price to each performance obligation shall be equal to the amount allocated to each performance obligation for purposes of including such item in revenue in the applicable financial statement of the taxpayer.

“(5) GROUP OF ENTITIES.—For purposes of paragraph (1), if the financial results of a taxpayer are reported on the applicable financial statement (as defined in paragraph (3)) for a group of entities, such statement may be treated as the applicable financial statement of the taxpayer.”.

(b) TREATMENT OF ADVANCE PAYMENTS.—Section 451, as amended by subsection (a), is amended by redesignating subsections (c) through (j) as subsections (d) through (k), respectively, and by inserting after subsection (b) the following new subsection:

“(c) TREATMENT OF ADVANCE PAYMENTS.—

“(1) IN GENERAL.—A taxpayer which computes taxable income under the accrual method of accounting, and receives any advance payment during the taxable year, shall—

“(A) except as provided in subparagraph (B), include such advance payment in gross income for such taxable year, or

“(B) if the taxpayer elects the application of this subparagraph with respect to the category of advance payments to which such advance payment belongs, the taxpayer shall—

“(i) to the extent that any portion of such advance payment is required under subsection (b) to be included in gross income in the taxable year in which such payment is received, so include such portion, and

“(ii) include the remaining portion of such advance payment in gross income in the taxable year following the taxable year in which such payment is received.

“(2) ELECTION.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the election under paragraph (1)(B) shall be made at such time, in such form and manner, and with respect to such categories of advance payments, as the Secretary may provide.

“(B) PERIOD TO WHICH ELECTION APPLIES.—An election under paragraph (1)(B) shall be effective for the taxable year with respect to which it is first made and for all subsequent taxable years, unless the taxpayer secures the consent of the Secretary to revoke such election. For purposes of this title, the computation of taxable income under an election made under paragraph (1)(B) shall be treated as a method of accounting.

“(3) TAXPAYERS CEASING TO EXIST.—Except as otherwise provided by the Secretary, the election under paragraph (1)(B) shall not

apply with respect to advance payments received by the taxpayer during a taxable year if such taxpayer ceases to exist during (or with the close of) such taxable year.

“(4) ADVANCE PAYMENT.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘advance payment’ means any payment—

“(i) the full inclusion of which in the gross income of the taxpayer for the taxable year of receipt is a permissible method of accounting under this section (determined without regard to this subsection),

“(ii) any portion of which is included in revenue by the taxpayer in a financial statement described in clause (i) or (ii) of subsection (b)(1)(A) for a subsequent taxable year, and

“(iii) which is for goods, services, or such other items as may be identified by the Secretary for purposes of this clause.

“(B) EXCLUSIONS.—Except as otherwise provided by the Secretary, such term shall not include—

“(i) rent,

“(ii) insurance premiums governed by subchapter L,

“(iii) payments with respect to financial instruments,

“(iv) payments with respect to warranty or guarantee contracts under which a third party is the primary obligor,

“(v) payments subject to section 871(a), 881, 1441, or 1442,

“(vi) payments in property to which section 83 applies, and

“(vii) any other payment identified by the Secretary for purposes of this subparagraph.

“(C) RECEIPT.—For purposes of this subsection, an item of gross income is received by the taxpayer if it is actually or constructively received, or if it is due and payable to the taxpayer.

“(D) ALLOCATION OF TRANSACTION PRICE.—For purposes of this subsection, rules similar to subsection (b)(4) shall apply.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(d) COORDINATION WITH SECTION 481.—

(1) IN GENERAL.—In the case of any qualified change in method of accounting for the taxpayer’s first taxable year beginning after December 31, 2017—

(A) such change shall be treated as initiated by the taxpayer, and

(B) such change shall be treated as made with the consent of the Secretary of the Treasury.

(2) QUALIFIED CHANGE IN METHOD OF ACCOUNTING.—For purposes of this subsection, the term “qualified change in method of accounting” means any change in method of accounting which—

(A) is required by the amendments made by this section, or

(B) was prohibited under the Internal Revenue Code of 1986 prior to such amendments and is permitted under such Code after such amendments.

PART IV—BUSINESS-RELATED EXCLUSIONS AND DEDUCTIONS

SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST.

(a) IN GENERAL.—Section 163(j) is amended to read as follows:

“(j) LIMITATION ON BUSINESS INTEREST.—

“(1) IN GENERAL.—The amount allowed as a deduction under this chapter for any taxable year for business interest shall not exceed the sum of—

“(A) the business interest income of such taxpayer for such taxable year, plus

“(B) 30 percent of the adjusted taxable income of such taxpayer for such taxable year. The amount determined under subparagraph (B) shall not be less than zero.

“(2) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The amount of any business interest not allowed as a deduction for any taxable year by reason of paragraph (1) shall be treated as business interest paid or accrued in the succeeding taxable year.

“(3) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable year, paragraph (1) shall not apply to such taxpayer for such taxable year. In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if such taxpayer were a corporation or partnership.

“(4) APPLICATION TO PARTNERSHIPS, ETC.—

“(A) IN GENERAL.—In the case of any partnership—

“(i) this subsection shall be applied at the partnership level and any deduction for business interest shall be taken into account in determining the non-separately stated taxable income or loss of the partnership, and

“(ii) the adjusted taxable income of each partner of such partnership—

“(I) shall be determined without regard to such partner's distributive share of the non-separately stated taxable income or loss of such partnership, and

“(II) shall be increased by such partner's distributive share of such partnership's excess taxable income.

For purposes of clause (ii)(II), a partner's distributive share of partnership excess taxable income shall be determined in the same manner as the partner's distributive share of nonseparately stated taxable income or loss of the partnership.

“(B) SPECIAL RULES FOR CARRYFORWARDS.—

“(i) IN GENERAL.—The amount of any business interest not allowed as a deduction to a partnership for any taxable year by reason of paragraph (1) for any taxable year—

“(I) shall not be treated under paragraph (2) as business interest paid or accrued by the partnership in the succeeding taxable year, and

“(II) shall, subject to clause (ii), be treated as excess business interest which is allocated to each partner in the same manner as the non-separately stated taxable income or loss of the partnership.

“(ii) TREATMENT OF EXCESS BUSINESS INTEREST ALLOCATED TO PARTNERS.—If a partner is allocated any excess business interest from a partnership under clause (i) for any taxable year—

“(I) such excess business interest shall be treated as business interest paid or accrued by the partner in the next succeeding taxable year in which the partner is allocated excess taxable income from such partnership, but only to the extent of such excess taxable income, and

“(II) any portion of such excess business interest remaining after the application of subclause (I) shall, subject to the limitations of subclause (I), be treated as business interest paid or accrued in succeeding taxable years.

For purposes of applying this paragraph, excess taxable income allocated to a partner from a partnership for any taxable year shall not be taken into account under paragraph (1)(A) with respect to any business interest other than excess business interest from the partnership until all such excess business interest for such taxable year and all preceding taxable years has been treated as paid or accrued under clause (ii).

“(iii) BASIS ADJUSTMENTS.—

“(I) IN GENERAL.—The adjusted basis of a partner in a partnership interest shall be reduced (but not below zero) by the amount of

excess business interest allocated to the partner under clause (i)(II).

“(II) SPECIAL RULE FOR DISPOSITIONS.—If a partner disposes of a partnership interest, the adjusted basis of the partner in the partnership interest shall be increased immediately before the disposition by the amount of the excess (if any) of the amount of the basis reduction under subclause (I) over the portion of any excess business interest allocated to the partner under clause (i)(II) which has previously been treated under clause (ii) as business interest paid or accrued by the partner. The preceding sentence shall also apply to transfers of the partnership interest (including by reason of death) in a transaction in which gain is not recognized in whole or in part. No deduction shall be allowed to the transferor or transferee under this chapter for any excess business interest resulting in a basis increase under this subclause.

“(C) EXCESS TAXABLE INCOME.—The term ‘excess taxable income’ means, with respect to any partnership, the amount which bears the same ratio to the partnership's adjusted taxable income as—

“(i) the excess (if any) of—

“(I) the amount determined for the partnership under paragraph (1)(B), over

“(II) the amount (if any) by which the business interest of the partnership exceeds the business interest income of the partnership, bears to

“(ii) the amount determined for the partnership under paragraph (1)(B).

“(D) APPLICATION TO S CORPORATIONS.—Rules similar to the rules of subparagraphs (A) and (B) shall apply with respect to any S corporation and its shareholders.

“(5) BUSINESS INTEREST.—For purposes of this subsection, the term ‘business interest’ means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

“(6) BUSINESS INTEREST INCOME.—For purposes of this subsection, the term ‘business interest income’ means the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

“(7) TRADE OR BUSINESS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘trade or business’ shall not include—

“(i) the trade or business of performing services as an employee,

“(ii) any electing real property trade or business,

“(iii) any electing farming business, or

“(iv) the trade or business of the furnishing or sale of—

“(I) electrical energy, water, or sewage disposal services,

“(II) gas or steam through a local distribution system, or

“(III) 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.

“(B) ELECTING REAL PROPERTY TRADE OR BUSINESS.—For purposes of this paragraph, the term ‘electing real property trade or business’ means any trade or business which is described in section 469(c)(7)(C) and which makes an election under this subparagraph. Any such election shall be made at such time

and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.

“(C) ELECTING FARMING BUSINESS.—For purposes of this paragraph, the term ‘electing farming business’ means a farming business (as defined in section 263A(e)(4)) which makes an election under this subparagraph. Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.

“(8) ADJUSTED TAXABLE INCOME.—For purposes of this subsection, the term ‘adjusted taxable income’ means the taxable income of the taxpayer—

“(A) computed without regard to—

“(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business,

“(ii) any business interest or business interest income,

“(iii) the amount of any net operating loss deduction under section 172, and

“(iv) the amount of any deduction allowed under section 199 or 199A, and

“(B) computed with such other adjustments as provided by the Secretary.

“(9) CROSS REFERENCES.—

“(A) For requirement that an electing real property trade or business use the alternative depreciation system, see section 168(g)(1)(F).

“(B) For requirement that an electing farming business use the alternative depreciation system, see section 168(g)(1)(G).”.

(b) TREATMENT OF CARRYFORWARD OF DISALLOWED BUSINESS INTEREST IN CERTAIN CORPORATE ACQUISITIONS.—

(1) IN GENERAL.—Section 381(c) is amended by inserting after paragraph (19) the following new paragraph:

“(20) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The carryover of disallowed business interest described in section 163(j)(2) to taxable years ending after the date of distribution or transfer.”.

(2) APPLICATION OF LIMITATION.—Section 382(d) is amended by adding at the end the following new paragraph:

“(3) APPLICATION TO CARRYFORWARD OF DISALLOWED INTEREST.—The term ‘pre-change loss’ shall include any carryover of disallowed interest described in section 163(n) under rules similar to the rules of paragraph (1).”.

(3) CONFORMING AMENDMENT.—Section 382(k)(1) is amended by inserting after the first sentence the following: “Such term shall include any corporation entitled to use a carryforward of disallowed interest described in section 381(c)(20).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13302. MODIFICATION OF NET OPERATING LOSS DEDUCTION.

(a) LIMITATION ON DEDUCTION.—

(1) IN GENERAL.—Section 172(a) is amended to read as follows:

“(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

“(1) the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, or

“(2) 90 percent (80 percent in the case of taxable years beginning after December 31, 2022) of taxable income computed without regard to the deduction allowable under this section.

For purposes of this subtitle, the term ‘net operating loss deduction’ means the deduction allowed by this subsection.”.

(2) COORDINATION OF LIMITATION WITH CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is amended by striking “shall be

computed—” and all that follows and insert—” shall—

“(A) be computed with the modifications specified in subsection (d) other than paragraphs (1), (4), and (5) thereof, and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

“(B) not be considered to be less than zero, and

“(C) not exceed the amount determined under subsection (a)(2) for such prior taxable year.”.

(3) **CONFORMING AMENDMENT.**—Section 172(d)(6) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “; and”, and by adding at the end the following new subparagraph:

“(C) subsection (a)(2) shall be applied by substituting ‘real estate investment trust taxable income (as defined in section 857(b)(2) but without regard to the deduction for dividends paid (as defined in section 561))’ for ‘taxable income’.”.

(b) **REPEAL OF NET OPERATING LOSS CARRYBACK; INDEFINITE CARRYFORWARD.**—

(1) **IN GENERAL.**—Section 172(b)(1)(A) is amended—

(A) by striking “shall be a net operating loss carryback to each of the 2 taxable years” in clause (i) and inserting “except as otherwise provided in this paragraph, shall not be a net operating loss carryback to any taxable year”, and

(B) by striking “to each of the 20 taxable years” in clause (ii) and inserting “to each taxable year”.

(2) **CONFORMING AMENDMENT.**—Section 172(b)(1) is amended by striking subparagraphs (B) through (F).

(c) **TREATMENT OF FARMING LOSSES.**—

(1) **ALLOWANCE OF CARRYBACKS.**—Section 172(b)(1), as amended by subsection (b)(2), is amended by adding at the end the following new subparagraph:

“(B) **FARMING LOSSES.**—

“(i) **IN GENERAL.**—In the case of any portion of a net operating loss for the taxable year which is a farming loss with respect to the taxpayer, such loss shall be a net operating loss carryback to each of the 2 taxable years preceding the taxable year of such loss.

“(ii) **FARMING LOSS.**—For purposes of this section, the term ‘farming loss’ means the lesser of—

“(I) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 263A(e)(4)) are taken into account, or

“(II) the amount of the net operating loss for such taxable year.

“(iii) **COORDINATION WITH PARAGRAPH (2).**—For purposes of applying paragraph (2), a farming loss for any taxable year shall be treated as a separate net operating loss for such taxable year to be taken into account after the remaining portion of the net operating loss for such taxable year.

“(iv) **ELECTION.**—Any taxpayer entitled to a 2-year carryback under clause (i) from any loss year may elect not to have such clause apply to such loss year. Such election shall be made in such manner as prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.”.

(2) **CONFORMING AMENDMENTS.**—

(A) Section 172 is amended by striking subsections (f), (g), and (h), and by redesignating subsection (i) as subsection (f).

(B) Section 537(b)(4) is amended by inserting “(as in effect before the date of enact-

ment of the Tax Cuts and Jobs Act)” after “as defined in section 172(f)”.

(d) **TREATMENT OF CERTAIN INSURANCE LOSSES.**—

(1) **TREATMENT OF CARRYFORWARDS AND CARRYBACKS.**—Section 172(b)(1), as amended by subsections (b)(2) and (c)(1), is amended by adding at the end the following new subparagraph:

“(C) **INSURANCE COMPANIES.**—In the case of an insurance company (as defined in section 816(a)) other than a life insurance company, the net operating loss for any taxable year—

“(i) shall be a net operating loss carryback to each of the 2 taxable years preceding the taxable year of such loss, and

“(ii) shall be a net operating loss carryover to each of the 20 taxable years following the taxable year of the loss.”.

(2) **EXEMPTION FROM LIMITATION.**—Section 172, as amended by subsection (c)(2)(A), is amended by redesignating subsection (f) as subsection (g) and inserting after subsection (e) the following new subsection:

“(f) **SPECIAL RULE FOR INSURANCE COMPANIES.**—In the case of an insurance company (as defined in section 816(a)) other than a life insurance company—

“(1) the amount of the deduction allowed under subsection (a) shall be the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, and

“(2) subparagraph (C) of subsection (b)(2) shall not apply.”.

(e) **EFFECTIVE DATE.**—

(1) **NET OPERATING LOSS LIMITATION.**—The amendments made by subsections (a) and (d)(2) shall apply to losses arising in taxable years beginning after December 31, 2017.

(2) **CARRYFORWARDS AND CARRYBACKS.**—The amendments made by subsections (b), (c), and (d)(1) shall apply to net operating losses arising in taxable years ending after December 31, 2017.

SEC. 13303. LIKE-KIND EXCHANGES OF REAL PROPERTY.

(a) **IN GENERAL.**—Section 1031(a)(1) is amended by striking “property” each place it appears and inserting “real property”.

(b) **CONFORMING AMENDMENTS.**—

(1) Paragraph (2) of section 1031(a) is amended to read as follows:

“(2) **EXCEPTION FOR REAL PROPERTY HELD FOR SALE.**—This subsection shall not apply to any exchange of real property held primarily for sale.”.

(2) Section 1031 is amended by striking subsections (e).

(3) Section 1031, as amended by paragraph (2), is amended by inserting after subsection (d) the following new subsection:

“(e) **APPLICATION TO CERTAIN PARTNERSHIPS.**—For purposes of this section, an interest in a partnership which has in effect a valid election under section 761(a) to be excluded from the application of all of subchapter K shall be treated as an interest in each of the assets of such partnership and not as an interest in a partnership.”.

(4) Section 1031(h) is amended to read as follows:

“(h) **SPECIAL RULES FOR FOREIGN REAL PROPERTY.**—Real property located in the United States and real property located outside the United States are not property of a like kind.”.

(5) Section 1031(i) is amended to read as follows:

“(i) **SPECIAL RULES FOR MUTUAL DITCH, RESERVOIR, OR IRRIGATION COMPANY STOCK.**—For purposes of subsection (a), shares in a mutual ditch, reservoir, or irrigation company shall be treated as real property if at the time of the exchange—

“(1) the mutual ditch, reservoir, or irrigation company is an organization described in section 501(c)(12)(A) (determined without re-

gard to the percentage of its income that is collected from its members for the purpose of meeting losses and expenses), and

“(2) the shares in such company have been recognized by the highest court of the State in which such company was organized or by applicable State statute as constituting or representing real property or an interest in real property.”.

(6) The heading of section 1031 is amended by striking “PROPERTY” and inserting “REAL PROPERTY”.

(7) The table of sections for part III of subchapter O of chapter 1 is amended by striking the item relating to section 1031 and inserting the following new item:

“Sec. 1031. Exchange of real property held for productive use or investment.”.

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as otherwise provided in this subsection, the amendments made by this section shall apply to exchanges completed after December 31, 2017.

(2) **TRANSITION RULE.**—The amendments made by this section shall not apply to any exchange if—

(A) the property disposed of by the taxpayer in the exchange is disposed of on or before December 31, 2017, or

(B) the property received by the taxpayer in the exchange is received on or before December 31, 2017.

SEC. 13304. LIMITATION ON DEDUCTION BY EMPLOYERS OF EXPENSES FOR FRINGE BENEFITS.

(a) **NO DEDUCTION ALLOWED FOR ENTERTAINMENT EXPENSES.**—

(1) **IN GENERAL.**—Section 274(a) is amended—

(A) in paragraph (1)(A), by striking “unless” and all that follows through “trade or business,”

(B) by striking the flush sentence at the end of paragraph (1), and

(C) by striking paragraph (2)(C).

(2) **CONFORMING AMENDMENTS.**—

(A) Section 274(d) is amended—

(i) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, and

(ii) in the flush text following paragraph (3) (as so redesignated)—

(I) by striking “, entertainment, amusement, recreation, or use of the facility or property,” in item (B), and

(II) by striking “(D) the business relationship to the taxpayer of persons entertained, using the facility or property, or receiving the gift” and inserting “(D) the business relationship to the taxpayer of the person receiving the benefit”.

(B) Section 274 is amended by striking subsection (1).

(C) Section 274(n) is amended by striking “AND ENTERTAINMENT” in the heading.

(D) Section 274(n)(1) is amended to read as follows:

“(1) **IN GENERAL.**—The amount allowable as a deduction under this chapter for any expense for food or beverages shall not exceed 50 percent of the amount of such expense which would (but for this paragraph) be allowable as a deduction under this chapter.”.

(E) Section 274(n)(2) is amended—

(i) in subparagraph (B), by striking “in the case of an expense for food or beverages,”

(ii) by striking subparagraph (C) and redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively,

(iii) by striking “of subparagraph (E)” the last sentence and inserting “of subparagraph (D)”, and

(iv) by striking “in subparagraph (D)” in the last sentence and inserting “in subparagraph (C)”.

(F) Clause (iv) of section 7701(b)(5)(A) is amended to read as follows:

“(iv) a professional athlete who is temporarily in the United States to compete in a sports event—

“(I) which is organized for the primary purpose of benefiting an organization which is described in section 501(c)(3) and exempt from tax under section 501(a),

“(II) all of the net proceeds of which are contributed to such organization, and,

“(III) which utilizes volunteers for substantially all of the work performed in carrying out such event.”.

(b) ONLY 50 PERCENT OF EXPENSES FOR MEALS PROVIDED ON OR NEAR BUSINESS PREMISES ALLOWED AS DEDUCTION.—Paragraph (2) of section 274(n), as amended by subsection (a), is amended—

(1) by striking subparagraph (B),

(2) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively,

(3) by striking “of subparagraph (D)” in the last sentence and inserting “of subparagraph (C)”, and

(4) by striking “in subparagraph (C)” in the last sentence and inserting “in subparagraph (B)”.

(c) TREATMENT OF TRANSPORTATION BENEFITS.—Section 274, as amended by subsection (a), is amended—

(1) in subsection (a)—

(A) in the heading, by striking “OR RECREATION” and inserting “RECREATION, OR QUALIFIED TRANSPORTATION FRINGES”, and

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

“(4) QUALIFIED TRANSPORTATION FRINGES.—No deduction shall be allowed under this chapter for the expense of any qualified transportation fringe (as defined in section 132(f)) provided to an employee of the taxpayer.”, and

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

“(l) TRANSPORTATION AND COMMUTING BENEFITS.—No deduction shall be allowed under this chapter for any expense incurred for providing any transportation, or any payment or reimbursement, to an employee of the taxpayer in connection with travel between the employee’s residence and place of employment, except as necessary for ensuring the safety of the employee.”.

(d) ELIMINATION OF DEDUCTION FOR MEALS PROVIDED AT CONVENIENCE OF EMPLOYER.—Section 274, as amended by subsection (c), is amended—

(1) by redesignating subsection (o) as subsection (p), and

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

“(o) MEALS PROVIDED AT CONVENIENCE OF EMPLOYER.—No deduction shall be allowed under this chapter for—

“(1) any expense for the operation of a facility described in section 132(e)(2), and any expense for food or beverages, including under section 132(e)(1), associated with such facility, or

“(2) any expense for meals described in section 119(a).”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to amounts incurred or paid after December 31, 2017.

(2) EFFECTIVE DATE FOR ELIMINATION OF DEDUCTION FOR MEALS PROVIDED AT CONVENIENCE OF EMPLOYER.—The amendments made by subsection (d) shall apply to amounts incurred or paid after December 31, 2025.

SEC. 13305. REPEAL OF DEDUCTION FOR INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by striking section 199 (and by striking the item relating to such section in the table of sections for such part).

(b) CONFORMING AMENDMENTS.—

(1) Sections 74(d)(2)(B), 86(b)(2)(A), 135(c)(4)(A), 137(b)(3)(A), 219(g)(3)(A)(ii), 221(b)(2)(C), 222(b)(2)(C), 246(b)(1), and 469(i)(3)(F)(iii) are each amended by striking “199”.

(2) Section 170(b)(2)(D), as amended by section 11011, is amended by striking clause (iv) and by redesignating clauses (v) and (vi) as redesignating clauses (iv) as clause (v), respectively.

(3) Section 172(d) is amended by striking paragraph (7).

(4) Section 613(a) is amended by striking “and without the deduction under section 199”.

(5) Section 613A(d)(1) is amended by striking subparagraph (B) and by redesignating subparagraphs (C), (D), and (E) as subparagraphs (B), (C), and (D).

(c) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SEC. 13306. DENIAL OF DEDUCTION FOR CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.

(a) DENIAL OF DEDUCTION.—

(1) IN GENERAL.—Subsection (f) of section 162 is amended to read as follows:

“(f) FINES, PENALTIES, AND OTHER AMOUNTS.—

“(1) IN GENERAL.—Except as provided in the following paragraphs of this subsection, no deduction otherwise allowable shall be allowed under this chapter for any amount paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government or governmental entity in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law.

“(2) EXCEPTION FOR AMOUNTS CONSTITUTING RESTITUTION OR PAID TO COME INTO COMPLIANCE WITH LAW.—

“(A) IN GENERAL.—Paragraph (1) shall not apply to any amount that—

“(i) the taxpayer establishes—

“(I) constitutes restitution (including remediation of property) for damage or harm which was or may be caused by the violation of any law or the potential violation of any law, or

“(II) is paid to come into compliance with any law which was violated or otherwise involved in the investigation or inquiry described in paragraph (1),

“(ii) is identified as restitution or as an amount paid to come into compliance with such law, as the case may be, in the court order or settlement agreement, and

“(iii) in the case of any amount of restitution for failure to pay any tax imposed under this title in the same manner as if such amount were such tax, would have been allowed as a deduction under this chapter if it had been timely paid.

The identification under clause (ii) alone shall not be sufficient to make the establishment required under clause (i).

“(B) LIMITATION.—Subparagraph (A) shall not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.

“(3) EXCEPTION FOR AMOUNTS PAID OR INCURRED AS THE RESULT OF CERTAIN COURT ORDERS.—Paragraph (1) shall not apply to any amount paid or incurred by reason of any order of a court in a suit in which no government or governmental entity is a party.

“(4) EXCEPTION FOR TAXES DUE.—Paragraph (1) shall not apply to any amount paid or incurred as taxes due.

“(5) TREATMENT OF CERTAIN NONGOVERNMENTAL REGULATORY ENTITIES.—For purposes of this subsection, the following nongovern-

mental entities shall be treated as governmental entities:

“(A) Any nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) in connection with a qualified board or exchange (as defined in section 1256(g)(7)).

“(B) To the extent provided in regulations, any nongovernmental entity which exercises self-regulatory powers (including imposing sanctions) as part of performing an essential governmental function.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date.

(b) REPORTING OF DEDUCTIBLE AMOUNTS.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 is amended by inserting after section 6050W the following new section:

“SEC. 6050X. INFORMATION WITH RESPECT TO CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.

“(a) REQUIREMENT OF REPORTING.—

“(1) IN GENERAL.—The appropriate official of any government or any entity described in section 162(f)(5) which is involved in a suit or agreement described in paragraph (2) shall make a return in such form as determined by the Secretary setting forth—

“(A) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,

“(B) any amount required to be paid as a result of the suit or agreement which constitutes restitution or remediation of property, and

“(C) any amount required to be paid as a result of the suit or agreement for the purpose of coming into compliance with any law which was violated or involved in the investigation or inquiry.

“(2) SUIT OR AGREEMENT DESCRIBED.—

“(A) IN GENERAL.—A suit or agreement is described in this paragraph if—

“(i) it is—

“(I) a suit with respect to a violation of any law over which the government or entity has authority and with respect to which there has been a court order, or

“(II) an agreement which is entered into with respect to a violation of any law over which the government or entity has authority, or with respect to an investigation or inquiry by the government or entity into the potential violation of any law over which such government or entity has authority, and

“(ii) the aggregate amount involved in all court orders and agreements with respect to the violation, investigation, or inquiry is \$600 or more.

“(B) ADJUSTMENT OF REPORTING THRESHOLD.—The Secretary shall adjust the \$600 amount in subparagraph (A)(ii) as necessary in order to ensure the efficient administration of the internal revenue laws.

“(3) TIME OF FILING.—The return required under this subsection shall be filed at the time the agreement is entered into, as determined by the Secretary.

“(b) STATEMENTS TO BE FURNISHED TO INDIVIDUALS INVOLVED IN THE SETTLEMENT.—Every person required to make a return under subsection (a) shall furnish to each person who is a party to the suit or agreement a written statement showing—

“(1) the name of the government or entity, and

“(2) the information supplied to the Secretary under subsection (a)(1). The written statement required under the preceding sentence shall be furnished to the person at the same time the government or entity provides the Secretary with the information required under subsection (a).”

“(c) APPROPRIATE OFFICIAL DEFINED.—For purposes of this section, the term ‘appropriate official’ means the officer or employee having control of the suit, investigation, or inquiry or the person appropriately designated for purposes of this section.”

(2) CONFORMING AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050W the following new item:

“Sec. 6050X. Information with respect to certain fines, penalties, and other amounts.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date.

SEC. 13307. DENIAL OF DEDUCTION FOR SETTLEMENTS SUBJECT TO NONDISCLOSURE AGREEMENTS PAID IN CONNECTION WITH SEXUAL HARASSMENT OR SEXUAL ABUSE.

(a) DENIAL OF DEDUCTION.—Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) PAYMENTS RELATED TO SEXUAL HARASSMENT AND SEXUAL ABUSE.—No deduction shall be allowed under this chapter for—

“(1) any settlement or payment related to sexual harassment or sexual abuse if such settlement or payment is subject to a non-disclosure agreement, or

“(2) attorney’s fees related to such a settlement or payment.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 13308. UNIFORM TREATMENT OF EXPENSES IN CONTINGENCY FEE CASES.

(a) IN GENERAL.—Section 162, as amended by section 13307, is amended by redesignating subsection (r) as subsection (s) and by inserting after subsection (q) the following new subsection:

“(r) EXPENSES IN CONTINGENCY FEE CASES.—No deduction shall be allowed under subsection (a) to a taxpayer for any expense—

“(1) paid or incurred in the course of the trade or business of practicing law, and

“(2) resulting from a case for which the taxpayer is compensated primarily on a contingent basis, until such time as such contingency is resolved.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenses and costs paid or incurred in taxable years beginning after the date of the enactment of this Act.

SEC. 13309. REPEAL OF DEDUCTION FOR LOCAL LOBBYING EXPENSES.

(a) IN GENERAL.—Section 162(e) is amended by striking paragraphs (2) and (7) and by redesignating paragraphs (3), (4), (5), (6), and (8) as paragraphs (2), (3), (4), (5), and (6), respectively.

(b) CONFORMING AMENDMENT.—Section 6033(e)(1)(B)(ii) is amended by striking “section 162(e)(5)(B)(ii)” and inserting “section 162(e)(4)(B)(ii)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred on or after the date of the enactment of this Act.

SEC. 13310. RECHARACTERIZATION OF CERTAIN GAINS IN THE CASE OF PARTNERSHIP PROFITS INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES.

(a) IN GENERAL.—Part IV of subchapter O of chapter 1 is amended—

(1) by redesignating section 1061 as section 1062, and

(2) by inserting after section 1060 the following new section:

“SEC. 1061. PARTNERSHIP INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF SERVICES.

“(a) IN GENERAL.—If one or more applicable partnership interests are held by a taxpayer at any time during the taxable year, the excess (if any) of—

“(1) the taxpayer’s net long-term capital gain with respect to such interests for such taxable year, over

“(2) the taxpayer’s net long-term capital gain with respect to such interests for such taxable year computed by applying paragraphs (3) and (4) of sections 1222 by substituting ‘3 years’ for ‘1 year’,

shall be treated as short-term capital gain, notwithstanding section 83 or any election in effect under section 83(b).

“(b) SPECIAL RULE.—To the extent provided by the Secretary, subsection (a) shall not apply to income or gain attributable to any asset not held for portfolio investment on behalf of third party investors.

“(c) APPLICABLE PARTNERSHIP INTEREST.—For purposes of this section—

“(1) IN GENERAL.—Except as provided in this paragraph or paragraph (4), the term ‘applicable partnership interest’ means any interest in a partnership which, directly or indirectly, is transferred to (or is held by) the taxpayer in connection with the performance of substantial services by the taxpayer, or any other related person, in any applicable trade or business. The previous sentence shall not apply to an interest held by a person who is employed by another entity that is conducting a trade or business (other than an applicable trade or business) and only provides services to such other entity.

“(2) APPLICABLE TRADE OR BUSINESS.—The term ‘applicable trade or business’ means any activity conducted on a regular, continuous, and substantial basis which, regardless of whether the activity is conducted in one or more entities, consists, in whole or in part, of—

“(A) raising or returning capital, and

“(B) either—

“(i) investing in (or disposing of) specified assets (or identifying specified assets for such investing or disposition), or

“(ii) developing specified assets.

“(3) SPECIFIED ASSET.—The term ‘specified asset’ means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), commodities (as defined in section 475(e)(2)), real estate held for rental or investment, cash or cash equivalents, options or derivative contracts with respect to any of the foregoing, and an interest in a partnership to the extent of the partnership’s proportionate interest in any of the foregoing.

“(4) EXCEPTIONS.—The term ‘applicable partnership interest’ shall not include—

“(A) any interest in a partnership directly or indirectly held by a corporation, or

“(B) any capital interest in the partnership which provides the taxpayer with a right to share in partnership capital commensurate with—

“(i) the amount of capital contributed (determined at the time of receipt of such partnership interest), or

“(ii) the value of such interest subject to tax under section 83 upon the receipt or vesting of such interest.

“(5) THIRD PARTY INVESTOR.—The term ‘third party investor’ means a person who—

“(A) holds an interest in the partnership which does not constitute property held in connection with an applicable trade or business; and

“(B) is not (and has not been) actively engaged, and is (and was) not related to a person so engaged, in (directly or indirectly) providing substantial services described in paragraph (1) for such partnership or any applicable trade or business.

“(d) TRANSFER OF APPLICABLE PARTNERSHIP INTEREST TO RELATED PERSON.—

“(1) IN GENERAL.—If a taxpayer transfers any applicable partnership interest, directly or indirectly, to a person related to the taxpayer, the taxpayer shall include in gross income (as short term capital gain) the excess (if any) of—

“(A) so much of the taxpayer’s long-term capital gains with respect to such interest for such taxable year attributable to the sale or exchange of any asset held for not more than 3 years as is allocable to such interest, over

“(B) any amount treated as short term capital gain under subsection (a) with respect to the transfer of such interest.

“(2) RELATED PERSON.—For purposes of this paragraph, a person is related to the taxpayer if—

“(A) the person is a member of the taxpayer’s family within the meaning of section 318(a)(1), or

“(B) the person performed a service within the current calendar year or the preceding three calendar years in any applicable trade or business in which or for which the taxpayer performed a service.

“(e) REPORTING.—The Secretary shall require such reporting (at the time and in the manner prescribed by the Secretary) as is necessary to carry out the purposes of this section.

“(f) REGULATIONS.—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section.”

(b) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to 1061 and inserting the following new items:

“Sec. 1061. Partnership interests held in connection with performance of services.

“Sec. 1062. Cross references.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART V—BUSINESS CREDITS

Subpart A—General Provisions

SEC. 13401. MODIFICATION OF ORPHAN DRUG CREDIT.

(a) CREDIT RATE.—Subsection (a) of section 45C is amended by striking “50 percent” and inserting “27.5 percent”.

(b) DISCLOSURE OF CREDITS.—Section 45C is amended by adding at the end the following new subsection:

“(e) DISCLOSURE OF CREDITS.—The Secretary shall publicly disclose the identity of any taxpayer (in the case of a pass-thru entity, the name of the entity) to whom a credit is allowed under this section, as well as the amount of such credit, the drug with respect to which the qualified clinical testing expenses were taken into account under this section, and the rare disease or condition for which such drug was being tested.”

(c) ELECTION OF REDUCED CREDIT.—Subsection (b) of section 280C is amended by redesignating paragraph (3) as paragraph (4)

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

“(B) ELECTION OF REDUCED CREDIT.—

“(A) IN GENERAL.—In the case of any taxable year for which an election is made under this paragraph—

“(i) paragraphs (1) and (2) shall not apply, and

“(ii) the amount of the credit under section 45C(a) shall be the amount determined under subparagraph (B).

“(B) AMOUNT OF REDUCED CREDIT.—The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to the excess of—

“(i) the amount of credit determined under section 45C(a) without regard to this paragraph, over

“(ii) the product of—

“(I) the amount described in clause (i), and

“(II) the maximum rate of tax under section 11(b).

“(C) ELECTION.—An election under this paragraph for any taxable year shall be made not later than the time for filing the return of tax for such year (including extensions), shall be made on such return, and shall be made in such manner as the Secretary shall prescribe. Such an election, once made, shall be irrevocable.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13402. REHABILITATION CREDIT LIMITED TO CERTIFIED HISTORIC STRUCTURES.

(a) IN GENERAL.—Subsection (a) of section 47 is amended to read as follows:

“(a) GENERAL RULE.—

“(1) IN GENERAL.—For purposes of section 46, for any taxable year during the 5-year period beginning in the taxable year in which a qualified rehabilitated building is placed in service, the rehabilitation credit for such year is an amount equal to the ratable share for such year.

“(2) RATABLE SHARE.—For purposes of paragraph (1), the ratable share for any taxable year during the period described in such paragraph is the amount equal to 20 percent of the qualified rehabilitation expenditures with respect to the qualified rehabilitated building, as allocated ratably to each year during such period.”

(b) CONFORMING AMENDMENTS.—

(1) Section 47(c) is amended—

(A) in paragraph (1)—

(i) in subparagraph (A), by amending clause (iii) to read as follows:

“(iii) such building is a certified historic structure, and”

(ii) by striking subparagraph (B), and

(iii) by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively, and

(B) in paragraph (2)(B), by amending clause (iv) to read as follows:

“(iv) CERTIFIED HISTORIC STRUCTURE.—Any expenditure attributable to the rehabilitation of a qualified rehabilitated building unless the rehabilitation is a certified rehabilitation (within the meaning of subparagraph (C)).”

(2) Paragraph (4) of section 145(d) is amended—

(A) by striking “of section 47(c)(1)(C)” each place it appears and inserting “of section 47(c)(1)(B)”, and

(B) by striking “section 47(c)(1)(C)(i)” and inserting “section 47(c)(1)(B)(i)”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.

(2) TRANSITION RULE.—In the case of qualified rehabilitation expenditures with respect to any building—

(A) owned or leased by the taxpayer during the entirety of the period after December 31, 2017, and

(B) with respect to which the 24-month period selected by the taxpayer under section 47(c)(1)(B) of the Internal Revenue Code of 1986 (as amended by subsection (b)) begins not later than 180 days after the date of the enactment of this Act,

the amendments made by this section shall apply to such expenditures paid or incurred after the end of the taxable year in which the 24-month period referred to in subparagraph (B) ends.

SEC. 13403. REPEAL OF DEDUCTION FOR CERTAIN UNUSED BUSINESS CREDITS.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by striking section 196 (and by striking the item relating to such section in the table of sections for such part).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13404. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE.

(a) IN GENERAL.—

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

“SEC. 45S. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE.

“(a) ESTABLISHMENT OF CREDIT.—

“(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 the applicable percentage of the amount of wages paid to qualifying employees during any period in which such employees are on family and medical leave.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term ‘applicable percentage’ means 12.5 percent increased (but not above 25 percent) by 0.25 percentage points for each percentage point by which the rate of payment (as described under subsection (c)(1)(B)) exceeds 50 percent.

“(b) LIMITATION.—

“(1) IN GENERAL.—The credit allowed under subsection (a) with respect to any employee for any taxable year shall not exceed an amount equal to the product of the normal hourly wage rate of such employee for each hour (or fraction thereof) of actual services performed for the employer and the number of hours (or fraction thereof) for which family and medical leave is taken.

“(2) NON-HOURLY WAGE RATE.—For purposes of paragraph (1), in the case of any employee who is not paid on an hourly wage rate, the wages of such employee shall be prorated to an hourly wage rate under regulations established by the Secretary.

“(3) MAXIMUM AMOUNT OF LEAVE SUBJECT TO CREDIT.—The amount of family and medical leave that may be taken into account with respect to any employee under subsection (a) for any taxable year shall not exceed 12 weeks.

“(c) ELIGIBLE EMPLOYER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible employer’ means any employer who has in place a policy that meets the following requirements:

“(A) The policy provides—

“(i) in the case of a qualifying employee who is not a part-time employee (as defined in section 4980E(d)(4)(B)), not less than 2 weeks of annual paid family and medical leave, and

“(ii) in the case of a qualifying employee who is a part-time employee, an amount of annual paid family and medical leave that is not less than an amount which bears the same ratio to the amount of annual paid

family and medical leave that is provided to a qualifying employee described in clause (i) as—

“(I) the number of hours the employee is expected to work during any week, bears to

“(II) the number of hours an equivalent qualifying employee described in clause (i) is expected to work during the week.

“(B) The policy requires that the rate of payment under the program is not less than 50 percent of the wages normally paid to such employee for services performed for the employer.

“(2) SPECIAL RULE FOR CERTAIN EMPLOYERS.—

“(A) IN GENERAL.—An added employer shall not be treated as an eligible employer unless such employer provides paid family and medical leave in compliance with a policy which ensures that the employer—

“(i) will not interfere with, restrain, or deny the exercise of or the attempt to exercise, any right provided under the policy, and

“(ii) will not discharge or in any other manner discriminate against any individual for opposing any practice prohibited by the policy.

“(B) ADDED EMPLOYER; ADDED EMPLOYEE.—For purposes of this paragraph—

“(i) ADDED EMPLOYEE.—The term ‘added employee’ means a qualifying employee who is not covered by title I of the Family and Medical Leave Act of 1993, as amended.

“(ii) ADDED EMPLOYER.—The term ‘added employer’ means an eligible employer (determined without regard to this paragraph), whether or not covered by that title I, who offers paid family and medical leave to added employees.

“(3) AGGREGATION RULE.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

“(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 shall not be taken into account in determining the amount of paid family and medical leave provided by the employer.

“(5) NO INFERENCE.—Nothing in this subsection shall be construed as subjecting an employer to any penalty, liability, or other consequence (other than ineligibility for the credit allowed by reason of subsection (a) or recapturing the benefit of such credit) for failure to comply with the requirements of this subsection.

“(d) QUALIFYING EMPLOYEES.—For purposes of this section, the term ‘qualifying employee’ means any employee (as defined in section 3(e) of the Fair Labor Standards Act of 1938, as amended) who—

“(1) has been employed by the employer for 1 year or more, and

“(2) for the preceding year, had compensation not in excess of an amount equal to 60 percent of the amount applicable for such year under clause (i) of section 414(q)(1)(B).

“(e) FAMILY AND MEDICAL LEAVE.—

“(1) IN GENERAL.—Except as provided in paragraph (2), for purposes of this section, the term ‘family and medical leave’ means leave for any 1 or more of the purposes described under subparagraph (A), (B), (C), (D), or (E) of paragraph (1), or paragraph (3), of section 102(a) of the Family and Medical Leave Act of 1993, as amended, whether the leave is provided under that Act or by a policy of the employer.

“(2) EXCLUSION.—If an employer provides paid leave as vacation leave, personal leave, or medical or sick leave (other than leave specifically for 1 or more of the purposes referred to in paragraph (1)), that paid leave

shall not be considered to be family and medical leave under paragraph (1).

“(3) DEFINITIONS.—In this subsection, the terms ‘vacation leave’, ‘personal leave’, and ‘medical or sick leave’ mean those 3 types of leave, within the meaning of section 102(d)(2) of that Act.

“(f) WAGES.—For purposes of this section, the term ‘wages’ has the meaning given such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section). Such term shall not include any amount taken into account for purposes of determining any other credit allowed under this subpart.

“(g) ELECTION TO HAVE CREDIT NOT APPLY.—

“(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

“(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(j) shall apply for purposes of this subsection.

“(h) TERMINATION.—This section shall not apply to wages paid in taxable years beginning after December 31, 2019.”

(b) CREDIT PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended by striking “plus” at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting “, plus”, and by adding at the end the following new paragraph:

“(37) in the case of an eligible employer (as defined in section 45S(c)), the paid family and medical leave credit determined under section 45S(a).”

(c) CREDIT ALLOWED AGAINST AMT.—Subparagraph (B) of section 38(c)(4) is amended by redesignating clauses (ix) through (xi) as clauses (x) through (xii), respectively, and by inserting after clause (viii) the following new clause:

“(ix) the credit determined under section 45S.”

(d) CONFORMING AMENDMENTS.—

(1) DENIAL OF DOUBLE BENEFIT.—Section 280C(a) is amended by inserting “45S(a),” after “45P(a).”

(2) ELECTION TO HAVE CREDIT NOT APPLY.—Section 5501(m) is amended by inserting “45S(g),” after “45H(g).”

(3) 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. 45S. Employer credit for paid family and medical leave.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to wages paid in taxable years beginning after December 31, 2017.

Subpart B—Provisions Relating to Low-income Housing Credit

SEC. 13411. RECONSTRUCTION OR REPLACEMENT PERIOD AFTER CASUALTY LOSS.

(a) IN GENERAL.—Subparagraph (E) of section 42(j)(4) is amended by striking “a reasonable period established by the Secretary” and inserting “a reasonable period established by the applicable housing credit agency (not to exceed 25 months from the date on which the casualty loss arises). The determination under paragraph (1) shall not be made with respect to a property the basis of which is affected by a casualty loss until the period described in the preceding sentence with respect to such property has expired.”

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

SEC. 13412. MODIFICATION OF RIGHTS RELATING TO BUILDING PURCHASE.

(a) IN GENERAL.—Subparagraph (A) of section 42(i)(7) is amended—

(1) by striking “a right of 1st refusal” and inserting “an option”, and

(2) by striking “the property” and inserting “the property or a partnership interest relating to the property”.

(b) CONFORMING AMENDMENT.—Subparagraph (B) of section 42(i)(7) is amended by adding at the end the following new sentence: “In the case of a purchase of a partnership interest, the minimum purchase price is an amount equal to such interest’s ratable share of the amount determined under the first sentence of this subparagraph.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into or amended after the date of the enactment of this Act.

SEC. 13413. DETERMINATION OF COMMUNITY REVITALIZATION PLAN TO BE MADE BY HOUSING CREDIT AGENCY.

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

(b) CRITERIA.—Paragraph (1) of section 42(m) is amended by adding at the end the following new subparagraph:

“(E) CRITERIA FOR DETERMINATION RELATING TO CONCERTED COMMUNITY REVITALIZATION PLAN.—For purposes of subparagraph (B)(ii)(III), the criteria for determining whether the development of a project contributes to a concerted community development plan shall take into account any factors the agency deems appropriate, including the extent to which the proposed plan—

“(i) is geographically specific,

“(ii) outlines a clear plan for implementation and goals for outcomes,

“(iii) includes a strategy for applying for or obtaining commitments of public or private investment (or both) in nonhousing infrastructure, amenities, or services, and

“(iv) demonstrates the need for community revitalization.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of housing credit dollar amounts made under qualified allocation plans (as defined in section 42(m)(1)(B) of the Internal Revenue Code of 1986) adopted after December 31, 2017.

SEC. 13414. PROHIBITION OF LOCAL APPROVAL AND CONTRIBUTION REQUIREMENTS.

(a) IN GENERAL.—Paragraph (1) of section 42(m), as amended by section 13413, is further amended—

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

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

“(F) LOCAL APPROVAL OR CONTRIBUTION NOT TAKEN INTO ACCOUNT.—The selection criteria under a qualified allocation plan shall not include consideration of—

“(i) any support or opposition with respect to the project from local or elected officials, or

“(ii) any local government contribution to the project, except to the extent such contribution is taken into account as part of a broader consideration of the project’s ability to leverage outside funding sources, and is not prioritized over any other source of outside funding.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of housing credit dollar amounts made after December 31, 2017.

SEC. 13415. SELECTION CRITERIA UNDER QUALIFIED ALLOCATION PLANS.

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

“(xi) the affordable housing needs of individuals in the State who are members of Indian tribes (as defined in section 45A(c)(6)).”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to allocations of credits under section 42 of the Internal Revenue Code of 1986 made after December 31, 2017.

SEC. 13416. AFFORDABLE HOUSING TAX CREDIT.

(a) IN GENERAL.—The heading of section 42 is amended by striking “LOW-INCOME” and inserting “AFFORDABLE”.

(b) CONFORMING AMENDMENTS.—

(1) Subsection (a) of section 42 is amended by striking “low-income” and inserting “affordable”.

(2) Paragraph (5) of section 38(b) is amended by striking “low-income” and inserting “affordable”.

(3) The heading of subparagraph (D) of section 469(i)(3) is amended by striking “LOW-INCOME” and inserting “AFFORDABLE”.

(4) The heading of subparagraph (B) of section 469(i)(6) is amended by striking “LOW-INCOME” and inserting “AFFORDABLE”.

(5) Paragraph (7) of section 772(a) is amended by striking “low-income” and inserting “affordable”.

(6) Paragraph (5) of section 772(d) is amended by striking “low-income” and inserting “affordable”.

(c) CLERICAL AMENDMENT.—The item relating to section 42 in the table of sections for subpart D of part IV of subchapter A of chapter 1 is amended to read as follows:

“Sec. 42. Affordable housing credit.”

PART VI—PROVISIONS RELATED TO SPECIFIC ENTITIES AND INDUSTRIES

Subpart A—Partnership Provisions

SEC. 13501. TREATMENT OF GAIN OR LOSS OF FOREIGN PERSONS FROM SALE OR EXCHANGE OF INTERESTS IN PARTNERSHIPS ENGAGED IN TRADE OR BUSINESS WITHIN THE UNITED STATES.

(a) IN GENERAL.—Section 864(c) is amended by adding at the end the following:

“(8) GAIN OR LOSS OF FOREIGN PERSONS FROM SALE OR EXCHANGE OF CERTAIN PARTNERSHIP INTERESTS.—

“(A) IN GENERAL.—Notwithstanding any other provision of this subtitle, if a non-resident alien individual or foreign corporation owns, directly or indirectly, an interest in a partnership which is engaged in any trade or business within the United States, gain or loss on the sale or exchange of all (or any portion of) such interest shall be treated as effectively connected with the conduct of such trade or business to the extent such gain or loss does not exceed the amount determined under subparagraph (B).

“(B) AMOUNT TREATED AS EFFECTIVELY CONNECTED.—The amount determined under this subparagraph with respect to any partnership interest sold or exchanged—

“(i) in the case of any gain on the sale or exchange of the partnership interest, is—

“(I) the portion of the partner’s distributive share of the amount of gain which would have been effectively connected with the conduct of a trade or business within the United States if the partnership had sold all of its assets at their fair market value as of the date of the sale or exchange of such interest, or

“(II) zero if no gain on such deemed sale would have been so effectively connected, and

“(ii) in the case of any loss on the sale or exchange of the partnership interest, is—

“(I) the portion of the partner’s distributive share of the amount of loss on the deemed sale described in clause (i)(I) which would have been so effectively connected, or

“(II) zero if no loss on such deemed sale would have been so effectively connected.

For purposes of this subparagraph, a partner's distributive share of gain or loss on the deemed sale shall be determined in the same manner as such partner's distributive share of the non-separately stated taxable income or loss of such partnership.

“(C) COORDINATION WITH UNITED STATES REAL PROPERTY INTERESTS.—If a partnership described in subparagraph (A) holds any United States real property interest (as defined in section 897(c)) at the time of the sale or exchange of the partnership interest, then the gain or loss treated as effectively connected income under subparagraph (A) shall be reduced by the amount so treated with respect to such United States real property interest under section 897.

“(D) SALE OR EXCHANGE.—For purposes of this paragraph, an individual or corporation shall be treated as having sold or exchanged any interest in a partnership if, under any provision of this subtitle, gain or loss is realized from the sale or exchange of such interest.

“(E) SECRETARIAL AUTHORITY.—The Secretary shall prescribe such regulations as the Secretary determines appropriate for the application of this paragraph, including regulations which provide that, notwithstanding subparagraph (D), this paragraph applies in a case even if gain or loss from a sale or exchange would not be realized under any other provision of this subtitle.”.

(b) WITHHOLDING REQUIREMENTS.—Section 1446 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following:

“(f) SPECIAL RULES FOR WITHHOLDING ON SALES OF PARTNERSHIP INTERESTS.—

“(1) IN GENERAL.—Except as provided in this subsection, if any portion of the gain (if any) on any disposition of an interest in a partnership would be treated under section 864(c)(8) as effectively connected with the conduct of a trade or business within the United States, the transferee shall be required to deduct and withhold a tax equal to 10 percent of the amount realized on the disposition.

“(2) EXCEPTION IF NONFOREIGN AFFIDAVIT FURNISHED.—

“(A) IN GENERAL.—No person shall be required to deduct and withhold any amount under paragraph (1) with respect to any disposition if the transferor furnishes to the transferee an affidavit by the transferor stating, under penalty of perjury, the transferor's United States taxpayer identification number and that the transferor is not a foreign person.

“(B) FALSE AFFIDAVIT.—Subparagraph (A) shall not apply to any disposition if—

“(i) the transferee has actual knowledge that the affidavit is false, or the transferee receives a notice (as described in section 1445(d)) from a transferor's agent or transferee's agent that such affidavit or statement is false, or

“(ii) the Secretary by regulations requires the transferee to furnish a copy of such affidavit or statement to the Secretary and the transferee fails to furnish a copy of such affidavit or statement to the Secretary at such time and in such manner as required by such regulations.

“(C) RULES FOR AGENTS.—The rules of section 1445(d) shall apply to a transferor's agent or transferee's agent with respect to any affidavit described in subparagraph (A) in the same manner as such rules apply with respect to the disposition of a United States real property interest under such section.

“(3) AUTHORITY OF SECRETARY TO PRESCRIBE REDUCED AMOUNT.—At the request of the transferor or transferee, the Secretary may prescribe a reduced amount to be withheld under this section if the Secretary determines that to substitute such reduced

amount will not jeopardize the collection of the tax imposed under this title with respect to gain treated under section 864(c)(8) as effectively connected with the conduct of a trade or business with in the United States.

“(4) PARTNERSHIP TO WITHHOLD AMOUNTS NOT WITHHELD BY THE TRANSFEREE.—If a transferee fails to withhold any amount required to be withheld under paragraph (1), the partnership shall be required to deduct and withhold from distributions to the transferee a tax in an amount equal to the amount the transferee failed to withhold (plus interest under this title on such amount).

“(5) DEFINITIONS.—Any term used in this subsection which is also used under section 1445 shall have the same meaning as when used in such section.

“(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection, including regulations providing for exceptions from the provisions of this subsection.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales and exchanges on or after November 27, 2017.

SEC. 13502. MODIFY DEFINITION OF SUBSTANTIAL BUILT-IN LOSS IN THE CASE OF TRANSFER OF PARTNERSHIP INTEREST.

(a) IN GENERAL.—Paragraph (1) of section 743(d) is to read as follows:

“(1) IN GENERAL.—For purposes of this section, a partnership has a substantial built-in loss with respect to a transfer of an interest in the partnership if—

“(A) the partnership's adjusted basis in the partnership property exceeds by more than \$250,000 the fair market value of such property, or

“(B) the transferee partner would be allocated a loss of more than \$250,000 if the partnership assets were sold for cash equal to their fair market value immediately after such transfer.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers of partnership interests after December 31, 2017.

SEC. 13503. CHARITABLE CONTRIBUTIONS AND FOREIGN TAXES TAKEN INTO ACCOUNT IN DETERMINING LIMITATION ON ALLOWANCE OF PARTNER'S SHARE OF LOSS.

(a) IN GENERAL.—Subsection (d) of section 704 is amended—

(1) by striking “A partner's distributive share” and inserting the following:

“(1) IN GENERAL.—A partner's distributive share”.

(2) by striking “Any excess of such loss” and inserting the following:

“(2) CARRYOVER.—Any excess of such loss”, and

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

“(3) SPECIAL RULES.—

“(A) IN GENERAL.—In determining the amount of any loss under paragraph (1), there shall be taken into account the partner's distributive share of amounts described in paragraphs (4) and (6) of section 702(a).

“(B) EXCEPTION.—In the case of a charitable contribution of property whose fair market value exceeds its adjusted basis, subparagraph (A) shall not apply to the extent of the partner's distributive share of such excess.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership taxable years beginning after December 31, 2017.

Subpart B—Insurance Reforms

SEC. 13511. NET OPERATING LOSSES OF LIFE INSURANCE COMPANIES.

(a) IN GENERAL.—Section 805(b) is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(b) CONFORMING AMENDMENTS.—

(1) Part I of subchapter L of chapter 1 is amended by striking section 810 (and by striking the item relating to such section in the table of sections for such part).

(2)(A) Part III of subchapter L of chapter 1 is amended by striking section 844 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 831(b)(3) is amended by striking “except as provided in section 844.”

(3) Section 381 is amended by striking subsection (d).

(4) Section 805(a)(4)(B)(ii) is amended to read as follows:

“(ii) the deduction allowed under section 172.”.

(5) Section 805(a) is amended by striking paragraph (5).

(6) Section 805(b)(2)(A)(iv) is amended to read as follows:

“(iv) any net operating loss carryback to the taxable year under section 172, and”.

(7) Section 953(b)(1)(B) is amended to read as follows:

“(B) So much of section 805(a)(8) as relates to the deduction allowed under section 172.”.

(8) Section 1351(i)(3) is amended by striking “or the operations loss deduction under section 810.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to losses arising in taxable years beginning after December 31, 2017.

SEC. 13512. REPEAL OF SMALL LIFE INSURANCE COMPANY DEDUCTION.

(a) IN GENERAL.—Part I of subchapter L of chapter 1 is amended by striking section 806 (and by striking the item relating to such section in the table of sections for such part).

(b) CONFORMING AMENDMENTS.—

(1) Section 453B(e) is amended—

(A) by striking “(as defined in section 806(b)(3))” in paragraph (2)(B), and

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

“(3) NONINSURANCE BUSINESS.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘noninsurance business’ means any activity which is not an insurance business.

“(B) CERTAIN ACTIVITIES TREATED AS INSURANCE BUSINESSES.—For purposes of subparagraph (A), any activity which is not an insurance business shall be treated as an insurance business if—

“(i) it is of a type traditionally carried on by life insurance companies for investment purposes, but only if the carrying on of such activity (other than in the case of real estate) does not constitute the active conduct of a trade or business, or

“(ii) it involves the performance of administrative services in connection with plans providing life insurance, pension, or accident and health benefits.”.

(2) Section 465(c)(7)(D)(v)(II) is amended by striking “section 806(b)(3)” and inserting “section 453B(e)(3)”.

(3) Section 801(a)(2) is amended by striking subparagraph (C).

(4) Section 804 is amended by striking “means—” and all that follows and inserting “means the general deductions provided in section 805.”.

(5) Section 805(a)(4)(B), as amended by this Act, is amended by striking clause (i) and by redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(6) Section 805(b)(2)(A), as amended by this Act, is amended by striking clause (iii) and

by redesignating clauses (iv) and (v) as clauses (iii) and (iv), respectively.

(7) Section 842(c) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(8) Section 953(b)(1), as amended by section 13511, is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13513. ADJUSTMENT FOR CHANGE IN COMPUTING RESERVES.

(a) IN GENERAL.—Paragraph (1) of section 807(f) is amended to read as follows:

“(1) TREATMENT AS CHANGE IN METHOD OF ACCOUNTING.—If the basis for determining any item referred to in subsection (c) as of the close of any taxable year differs from the basis for such determination as of the close of the preceding taxable year, then so much of the difference between—

“(A) the amount of the item at the close of the taxable year, computed on the new basis, and

“(B) the amount of the item at the close of the taxable year, computed on the old basis, as is attributable to contracts issued before the taxable year shall be taken into account under section 481 as adjustments attributable to a change in method of accounting initiated by the taxpayer and made with the consent of the Secretary.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13514. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS TO SHAREHOLDERS FROM PRE-1984 POLICYHOLDERS SURPLUS ACCOUNT.

(a) IN GENERAL.—Subpart D of part I of subchapter L is amended by striking section 815 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENT.—Section 801 is amended by striking subsection (c).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(d) PHASED INCLUSION OF REMAINING BALANCE OF POLICYHOLDERS SURPLUS ACCOUNTS.—In the case of any stock life insurance company which has a balance (determined as of the close of such company's last taxable year beginning before January 1, 2018) in an existing policyholders surplus account (as defined in section 815 of the Internal Revenue Code of 1986, as in effect before its repeal), the tax imposed by section 801 of such Code for the first 8 taxable years beginning after December 31, 2017, shall be the amount which would be imposed by such section for such year on the sum of—

(1) life insurance company taxable income for such year (within the meaning of such section 801 but not less than zero), plus

(2) ½ of such balance.

SEC. 13515. MODIFICATION OF PRORATION RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) IN GENERAL.—Section 832(b)(5)(B) is amended—

(1) by striking “15 percent” and inserting “the applicable percentage”, and

(2) by inserting at the end the following new sentence: “For purposes of this subparagraph, the applicable percentage is 5.25 percent divided by the highest rate in effect under section 11(b).”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13516. REPEAL OF SPECIAL ESTIMATED TAX PAYMENTS.

(a) IN GENERAL.—Part III of subchapter L of chapter 1 is amended by striking section 847 (and by striking the item relating to such section in the table of sections for such part).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13517. CAPITALIZATION OF CERTAIN POLICY ACQUISITION EXPENSES.

(a) AMORTIZATION PERIOD.—Section 848 is amended by striking “120-month” each place it appears in subsections (a)(2) and (b)(1) and inserting “600-month”.

(b) DETERMINATION OF EXPENSES.—Paragraph (1) of section 848(c) is amended—

(1) by striking “1.75 percent” in subparagraph (A) and inserting “3.17 percent”,

(2) by striking “2.05 percent” in subparagraph (B) and inserting “3.72 percent”, and

(3) by striking “7.7 percent” in subparagraph (C) and inserting “13.97 percent”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13518. TAX REPORTING FOR LIFE SETTLEMENT TRANSACTIONS.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61, as amended by section 13305, is amended by adding at the end the following new section:

“SEC. 6050Y. RETURNS RELATING TO CERTAIN LIFE INSURANCE CONTRACT TRANSACTIONS.

“(a) REQUIREMENT OF REPORTING OF CERTAIN PAYMENTS.—

“(1) IN GENERAL.—Every person who acquires a life insurance contract or any interest in a life insurance contract in a reportable policy sale during any taxable year shall make a return for such taxable year (at such time and in such manner as the Secretary shall prescribe) setting forth—

“(A) the name, address, and TIN of such person,

“(B) the name, address, and TIN of each recipient of payment in the reportable policy sale,

“(C) the date of such sale,

“(D) the name of the issuer of the life insurance contract sold and the policy number of such contract, and

“(E) the amount of each payment.

“(2) STATEMENT TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing—

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

“(B) the information required to be shown on such return with respect to such person, except that in the case of an issuer of a life insurance contract, such statement is not required to include the information specified in paragraph (1)(E).

“(b) REQUIREMENT OF REPORTING OF SELLER'S BASIS IN LIFE INSURANCE CONTRACTS.—

“(1) IN GENERAL.—Upon receipt of the statement required under subsection (a)(2) or upon notice of a transfer of a life insurance contract to a foreign person, each issuer of a life insurance contract shall make a return (at such time and in such manner as the Secretary shall prescribe) setting forth—

“(A) the name, address, and TIN of the seller who transfers any interest in such contract in such sale,

“(B) the investment in the contract (as defined in section 72(e)(6)) with respect to such seller, and

“(C) the policy number of such contract.

“(2) STATEMENT TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS

REQUIRED.—Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing—

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

“(B) the information required to be shown on such return with respect to each seller whose name is required to be set forth in such return.

“(c) REQUIREMENT OF REPORTING WITH RESPECT TO REPORTABLE DEATH BENEFITS.—

“(1) IN GENERAL.—Every person who makes a payment of reportable death benefits during any taxable year shall make a return for such taxable year (at such time and in such manner as the Secretary shall prescribe) setting forth—

“(A) the name, address, and TIN of the person making such payment,

“(B) the name, address, and TIN of each recipient of such payment,

“(C) the date of each such payment, and

“(D) the gross amount of each such payment.

“(E) such person's estimate of the investment in the contract (as defined in section 72(e)(6)) with respect to the buyer.

“(2) STATEMENT TO BE FURNISHED TO PERSONS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing—

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

“(B) the information required to be shown on such return with respect to each recipient of payment whose name is required to be set forth in such return.

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

“(1) PAYMENT.—The term ‘payment’ means, with respect to any reportable policy sale, the amount of cash and the fair market value of any consideration transferred in the sale.

“(2) REPORTABLE POLICY SALE.—The term ‘reportable policy sale’ has the meaning given such term in section 101(a)(3)(B).

“(3) ISSUER.—The term ‘issuer’ means any life insurance company that bears the risk with respect to a life insurance contract on the date any return or statement is required to be made under this section.

“(4) REPORTABLE DEATH BENEFITS.—The term ‘reportable death benefits’ means amounts paid by reason of the death of the insured under a life insurance contract that has been transferred in a reportable policy sale.”

(b) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61, as amended by section 13305, is amended by inserting after the item relating to section 6050X the following new item:

“Sec. 6050Y. Returns relating to certain life insurance contract transactions.”

(c) CONFORMING AMENDMENTS.—

(1) Subsection (d) of section 6724 is amended—

(A) by striking “or” at the end of clause (xxiv) of paragraph (1)(B), by striking “and” at the end of clause (xxv) of such paragraph and inserting “or”, and by inserting after such clause (xxv) the following new clause:

“(xxvi) section 6050Y (relating to returns relating to certain life insurance contract transactions), and”, and

(B) by striking “or” at the end of subparagraph (HH) of paragraph (2), by striking the

period at the end of subparagraph (II) of such paragraph and inserting “, or”, and by inserting after such subparagraph (II) the following new subparagraph:

“(J) subsection (a)(2), (b)(2), or (c)(2) of section 6050Y (relating to returns relating to certain life insurance contract transactions).”.

(2) Section 6047 is amended—

(A) by redesignating subsection (g) as subsection (h),

(B) by inserting after subsection (f) the following new subsection:

“(g) INFORMATION RELATING TO LIFE INSURANCE CONTRACT TRANSACTIONS.—This section shall not apply to any information which is required to be reported under section 6050Y.”, and

(C) by adding at the end of subsection (h), as so redesignated, the following new paragraph:

“(4) For provisions requiring reporting of information relating to certain life insurance contract transactions, see section 6050Y.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) reportable policy sales (as defined in section 6050Y(d)(2) of the Internal Revenue Code of 1986 (as added by subsection (a)) after December 31, 2017, and

(2) reportable death benefits (as defined in section 6050Y(d)(4) of such Code (as added by subsection (a)) paid after December 31, 2017.

SEC. 13519. CLARIFICATION OF TAX BASIS OF LIFE INSURANCE CONTRACTS.

(a) CLARIFICATION WITH RESPECT TO ADJUSTMENTS.—Paragraph (1) of section 1016(a) is amended by striking subparagraph (A) and all that follows and inserting the following:

“(A) for—

“(i) taxes or other carrying charges described in section 266; or

“(ii) expenditures described in section 173 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior taxable years; or

“(B) for mortality, expense, or other reasonable charges incurred under an annuity or life insurance contract;”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transactions entered into after August 25, 2009.

SEC. 13520. EXCEPTION TO TRANSFER FOR VALUABLE CONSIDERATION RULES.

(a) IN GENERAL.—Subsection (a) of section 101 is amended by inserting after paragraph (2) the following new paragraph:

“(3) EXCEPTION TO VALUABLE CONSIDERATION RULES FOR COMMERCIAL TRANSFERS.—

“(A) IN GENERAL.—The second sentence of paragraph (2) shall not apply in the case of a transfer of a life insurance contract, or any interest therein, which is a reportable policy sale.

“(B) REPORTABLE POLICY SALE.—For purposes of this paragraph, the term ‘reportable policy sale’ means the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has no substantial family, business, or financial relationship with the insured apart from the acquirer’s interest in such life insurance contract. For purposes of the preceding sentence, the term ‘indirectly’ applies to the acquisition of an interest in a partnership, trust, or other entity that holds an interest in the life insurance contract.”.

(b) CONFORMING AMENDMENT.—Paragraph (1) of section 101(a) is amended by striking “paragraph (2)” and inserting “paragraphs (2) and (3)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers after December 31, 2017.

Subpart C—Banks and Financial Instruments
SEC. 13531. LIMITATION ON DEDUCTION FOR FDIC PREMIUMS.

(a) IN GENERAL.—Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) DISALLOWANCE OF FDIC PREMIUMS PAID BY CERTAIN LARGE FINANCIAL INSTITUTIONS.—

“(1) IN GENERAL.—No deduction shall be allowed for the applicable percentage of any FDIC premium paid or incurred by the taxpayer.

“(2) EXCEPTION FOR SMALL INSTITUTIONS.—Paragraph (1) shall not apply to any taxpayer for any taxable year if the total consolidated assets of such taxpayer (determined as of the close of such taxable year) do not exceed \$10,000,000,000.

“(3) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means, with respect to any taxpayer for any taxable year, the ratio (expressed as a percentage but not greater than 100 percent) which—

“(A) the excess of—

“(i) the total consolidated assets of such taxpayer (determined as of the close of such taxable year), over

“(ii) \$10,000,000,000, bears to

“(B) \$40,000,000,000.

“(4) FDIC PREMIUMS.—For purposes of this subsection, the term ‘FDIC premium’ means any assessment imposed under section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)).

“(5) TOTAL CONSOLIDATED ASSETS.—For purposes of this subsection, the term ‘total consolidated assets’ has the meaning given such term under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365).

“(6) AGGREGATION RULE.—

“(A) IN GENERAL.—Members of an expanded affiliated group shall be treated as a single taxpayer for purposes of applying this subsection.

“(B) EXPANDED AFFILIATED GROUP.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘expanded affiliated group’ means an affiliated group as defined in section 1504(a), determined—

“(I) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears, and

“(II) without regard to paragraphs (2) and (3) of section 1504(b).

“(ii) CONTROL OF NON-CORPORATE ENTITIES.—A partnership or any other entity (other than a corporation) shall be treated as a member of an expanded affiliated group if such entity is controlled (within the meaning of section 954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this clause).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13532. REPEAL OF ADVANCE REFUNDING BONDS.

(a) IN GENERAL.—Paragraph (1) of section 149(d) is amended by striking “as part of an issue described in paragraph (2), (3), or (4).” and inserting “to advance refund another bond.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 149(d) is amended by striking paragraphs (2), (3), (4), and (6) and by redesignating paragraphs (5) and (7) as paragraphs (2) and (3).

(2) Section 148(f)(4)(C) is amended by striking clause (xiv) and by redesignating clauses (xv) to (xvii) as clauses (xiv) to (xvi).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to advance

refunding bonds issued after December 31, 2017.

SEC. 13533. COST BASIS OF SPECIFIED SECURITIES DETERMINED WITHOUT REGARD TO IDENTIFICATION.

(a) IN GENERAL.—Section 1012 is amended by adding at the end the following new subsection:

“(e) COST BASIS OF SPECIFIED SECURITIES DETERMINED WITHOUT REGARD TO IDENTIFICATION.—

“(1) IN GENERAL.—Unless the Secretary permits the use of an average basis method for determining cost, in the case of the sale, exchange, or other disposition of a specified security (within the meaning of section 6045(g)(3)(B)), the basis (and holding period) of such security shall be determined on a first-in first-out basis.

“(2) EXCEPTION.—In the case of a sale, exchange, or other disposition of a specified security by a regulated investment company (as defined in section 851(a)), paragraph (1) shall not apply.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 1012(c)(1) is amended by striking “the conventions prescribed by regulations under this section” and inserting “the method applicable for determining the cost of such security”.

(2) Section 1012(c)(2)(A) is amended by inserting “(as in effect prior to the enactment of the Tax Cuts and Jobs Act)” after “this section”.

(3) Section 6045(g)(2)(B)(i)(I) is amended by striking “unless the customer notifies the broker by means of making an adequate identification of the stock sold or transferred”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales, exchanges, and other dispositions after December 31, 2017.

Subpart D—S Corporations

SEC. 13541. EXPANSION OF QUALIFYING BENEFICIARIES OF AN ELECTING SMALL BUSINESS TRUST.

(a) NO LOOK-THROUGH FOR ELIGIBILITY PURPOSES.—Section 1361(c)(2)(B)(v) is amended by adding at the end the following new sentence: “This clause shall not apply for purposes of subsection (b)(1)(C).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2018.

SEC. 13542. CHARITABLE CONTRIBUTION DEDUCTION FOR ELECTING SMALL BUSINESS TRUSTS.

(a) IN GENERAL.—Section 641(c)(2) is amended by inserting after subparagraph (D) the following new subparagraph:

“(E)(i) Section 642(c) shall not apply.

“(ii) For purposes of section 170(b)(1)(G), adjusted gross income shall be computed in the same manner as in the case of an individual, except that the deductions for costs which are paid or incurred in connection with the administration of the trust and which would not have been incurred if the property were not held in such trust shall be treated as allowable in arriving at adjusted gross income.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART VII—EMPLOYMENT

Subpart A—Compensation

SEC. 13601. MODIFICATION OF LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.

(a) REPEAL OF PERFORMANCE-BASED COMPENSATION AND COMMISSION EXCEPTIONS FOR LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.—

(1) IN GENERAL.—Paragraph (4) of section 162(m) is amended by striking subparagraphs (B) and (C) and by redesignating subparagraphs (D), (E), (F), and (G) as subparagraphs (B), (C), (D), and (E), respectively.

(2) CONFORMING AMENDMENTS.—

(A) Paragraphs (5)(E) and (6)(D) of section 162(m) are each amended by striking “subparagraphs (B), (C), and (D)” and inserting “subparagraph (B)”.

(B) Paragraphs (5)(G) and (6)(G) of section 162(m) are each amended by striking “(F) and (G)” and inserting “(D) and (E)”.

(b) MODIFICATION OF DEFINITION OF COVERED EMPLOYEES.—Paragraph (3) of section 162(m) is amended—

(1) in subparagraph (A), by striking “as of the close of the taxable year, such employee is the chief executive officer of the taxpayer or is” and inserting “such employee is the principal executive officer or principal financial officer of the taxpayer at any time during the taxable year, or was”;

(2) in subparagraph (B)—

(A) by striking “4” and inserting “3”, and
(B) by striking “(other than the chief executive officer)” and inserting “(other than any individual described in subparagraph (A))”, and

(3) by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by adding at the end the following:

“(C) was a covered employee of the taxpayer (or any predecessor) for any preceding taxable year beginning after December 31, 2016.”.

(c) EXPANSION OF APPLICABLE EMPLOYER.—

(1) IN GENERAL.—Section 162(m)(2) is amended to read as follows:

“(2) PUBLICLY HELD CORPORATION.—For purposes of this subsection, the term ‘publicly held corporation’ means any corporation which is an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c))—

“(A) the securities of which are required to be registered under section 12 of such Act (15 U.S.C. 78l), or

“(B) that is required to file reports under section 15(d) of such Act (15 U.S.C. 78o(d)).”.

(2) CONFORMING AMENDMENT.—Section 162(m)(3), as amended by subsection (b), is amended by adding at the end the following flush sentence:

“Such term shall include any employee who would be described in subparagraph (B) if the reporting described in such subparagraph were required as so described.”.

(d) SPECIAL RULE FOR REMUNERATION PAID TO BENEFICIARIES, ETC.—Paragraph (4) of section 162(m), as amended by subsection (a), is amended by adding at the end the following new subparagraph:

“(F) SPECIAL RULE FOR REMUNERATION PAID TO BENEFICIARIES, ETC.—Remuneration shall not fail to be applicable employee remuneration merely because it is includible in the income of, or paid to, a person other than the covered employee, including after the death of the covered employee.”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) EXCEPTION FOR BINDING CONTRACTS.—The amendments made by this section shall not apply to remuneration which is pursuant to a written binding contract which was in effect on November 2, 2017, and which was not modified in any material respect on or after such date.

SEC. 13602. EXCISE TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION.

(a) IN GENERAL.—Subchapter D of chapter 42 is amended by adding at the end the following new section:

“SEC. 4960. TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION.

“(a) TAX IMPOSED.—There is hereby imposed a tax equal to 20 percent of the sum of—

“(1) so much of the remuneration paid (other than any excess parachute payment) by an applicable tax-exempt organization for the taxable year with respect to employment of any covered employee in excess of \$1,000,000, plus

“(2) any excess parachute payment paid by such an organization to any covered employee.

For purposes of the preceding sentence, remuneration shall be treated as paid when there is no substantial risk of forfeiture of the rights to such remuneration.

“(b) LIABILITY FOR TAX.—The employer shall be liable for the tax imposed under subsection (a).

“(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) APPLICABLE TAX-EXEMPT ORGANIZATION.—The term ‘applicable tax-exempt organization’ means any organization which for the taxable year—

“(A) is exempt from taxation under section 501(a),

“(B) is a farmers’ cooperative organization described in section 521(b)(1),

“(C) has income excluded from taxation under section 115(1), or

“(D) is a political organization described in section 527(e)(1).

“(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 if the employee—

“(A) is one of the 5 highest compensated employees of the organization for the taxable year, or

“(B) was a covered employee of the organization (or any predecessor) for any preceding taxable year beginning after December 31, 2016.

“(3) REMUNERATION.—For purposes of this section, the term ‘remuneration’ means wages (as defined in section 3401(a)), except that such term shall not include any designated Roth contribution (as defined in section 402A(c)) and shall include amounts required to be included in gross income under section 457(f).

“(4) REMUNERATION FROM RELATED ORGANIZATIONS.—

“(A) IN GENERAL.—Remuneration of a covered employee by an applicable tax-exempt organization shall include any remuneration paid with respect to employment of such employee by any related person or governmental entity.

“(B) RELATED ORGANIZATIONS.—A person or governmental entity shall be treated as related to an applicable tax-exempt organization if such person or governmental entity—

“(i) controls, or is controlled by, the organization,

“(ii) is controlled by one or more persons which control the organization,

“(iii) is a supported organization (as defined in section 509(f)(3)) during the taxable year with respect to the organization,

“(iv) is a supporting organization described in section 509(a)(3) during the taxable year with respect to the organization, or

“(v) in the case of an organization which is a voluntary employees’ beneficiary association described in section 501(c)(9), establishes, maintains, or makes contributions to such voluntary employees’ beneficiary association.

“(C) LIABILITY FOR TAX.—In any case in which remuneration from more than one employer is taken into account under this paragraph in determining the tax imposed by subsection (a), each such employer shall be liable for such tax in an amount which bears the same ratio to the total tax determined under subsection (a) with respect to such remuneration as—

“(i) the amount of remuneration paid by such employer with respect to such employee, bears to

“(ii) the amount of remuneration paid by all such employers to such employee.

“(5) EXCESS PARACHUTE PAYMENT.—For purposes of determining the tax imposed by subsection (a)(2)—

“(A) IN GENERAL.—The term ‘excess parachute payment’ means an amount equal to the excess of any parachute payment over the portion of the base amount allocated to such payment.

“(B) PARACHUTE PAYMENT.—The term ‘parachute payment’ means any payment in the nature of compensation to (or for the benefit of) a covered employee if—

“(i) such payment is contingent on such employee’s separation from employment with the employer, and

“(ii) the aggregate present value of the payments in the nature of compensation to (or for the benefit of) such individual which are contingent on such separation equals or exceeds an amount equal to 3 times the base amount.

Such term does not include any payment described in section 280G(b)(6) (relating to exemption for payments under qualified plans) or any payment made under or to an annuity contract described in section 403(b) or a plan described in section 457(b).

“(C) BASE AMOUNT.—Rules similar to the rules of 280G(b)(3) shall apply for purposes of determining the base amount.

“(D) PROPERTY TRANSFERS; PRESENT VALUE.—Rules similar to the rules of paragraphs (3) and (4) of section 280G(d) shall apply.

“(6) COORDINATION WITH DEDUCTION LIMITATION.—Remuneration the deduction for which is not allowed by reason of section 162(m) shall not be taken into account for purposes of this section.

“(d) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to prevent avoidance of the tax under this section, including regulations preventing employees from being misclassified as contractors or from being compensated through a pass-through or other entity to avoid such tax.”.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter D of chapter 42 is amended by adding at the end the following new item:

“Sec. 4960. Tax on excess exempt organization executive compensation.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13603. TREATMENT OF QUALIFIED EQUITY GRANTS.

(a) IN GENERAL.—Section 83 is amended by adding at the end the following new subsection:

“(i) QUALIFIED EQUITY GRANTS.—

“(1) IN GENERAL.—For purposes of this subtitle—

“(A) TIMING OF INCLUSION.—If qualified stock is transferred to a qualified employee who makes an election with respect to such stock under this subsection, subsection (a) shall be applied by including the amount determined under such subsection with respect to such stock in income of the employee in the taxable year determined under subparagraph (B) in lieu of the taxable year described in subsection (a).

“(B) TAXABLE YEAR DETERMINED.—The taxable year determined under this subparagraph is the taxable year of the employee which includes the earliest of—

“(i) the first date such qualified stock becomes transferable (including, solely for purposes of this clause, becoming transferable to the employer),

“(ii) the date the employee first becomes an excluded employee,

“(iii) the first date on which any stock of the corporation which issued the qualified stock becomes readily tradable on an established securities market (as determined by the Secretary, but not including any market unless such market is recognized as an established securities market by the Secretary for purposes of a provision of this title other than this subsection),

“(iv) the date that is 5 years after the first date the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, or

“(v) the date on which the employee revokes (at such time and in such manner as the Secretary provides) the election under this subsection with respect to such stock.

“(2) QUALIFIED STOCK.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘qualified stock’ means, with respect to any qualified employee, any stock in a corporation which is the employer of such employee, if—

“(i) such stock is received—

“(I) in connection with the exercise of an option, or

“(II) in settlement of a restricted stock unit, and

“(ii) such option or restricted stock unit was granted by the corporation—

“(I) in connection with the performance of services as an employee, and

“(II) during a calendar year in which such corporation was an eligible corporation.

“(B) LIMITATION.—The term ‘qualified stock’ shall not include any stock if the employee may sell such stock to, or otherwise receive cash in lieu of stock from, the corporation at the time that the rights of the employee in such stock first become transferable or not subject to a substantial risk of forfeiture.

“(C) ELIGIBLE CORPORATION.—For purposes of subparagraph (A)(ii)(II)—

“(i) IN GENERAL.—The term ‘eligible corporation’ means, with respect to any calendar year, any corporation if—

“(I) no stock of such corporation (or any predecessor of such corporation) is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) during any preceding calendar year, and

“(II) such corporation has a written plan under which, in such calendar year, not less than 80 percent of all employees who provide services to such corporation in the United States (or any possession of the United States) are granted stock options, or restricted stock units, with the same rights and privileges to receive qualified stock.

“(ii) SAME RIGHTS AND PRIVILEGES.—For purposes of clause (i)(II)—

“(I) except as provided in subclauses (II) and (III), the determination of rights and privileges with respect to stock shall be made in a similar manner as under section 423(b)(5),

“(II) employees shall not fail to be treated as having the same rights and privileges to receive qualified stock solely because the number of shares available to all employees is not equal in amount, so long as the number of shares available to each employee is more than a de minimis amount, and

“(III) rights and privileges with respect to the exercise of an option shall not be treated as the same as rights and privileges with respect to the settlement of a restricted stock unit.

“(iii) EMPLOYEE.—For purposes of clause (i)(II), the term ‘employee’ shall not include any employee described in section 4980E(d)(4) or any excluded employee.

“(iv) SPECIAL RULE FOR CALENDAR YEARS BEFORE 2018.—In the case of any calendar year

beginning before January 1, 2018, clause (i)(II) shall be applied without regard to whether the rights and privileges with respect to the qualified stock are the same.

“(3) QUALIFIED EMPLOYEE; EXCLUDED EMPLOYEE.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified employee’ means any individual who—

“(i) is not an excluded employee, and

“(ii) agrees in the election made under this subsection to meet such requirements as are determined by the Secretary to be necessary to ensure that the withholding requirements of the corporation under chapter 24 with respect to the qualified stock are met.

“(B) EXCLUDED EMPLOYEE.—The term ‘excluded employee’ means, with respect to any corporation, any individual—

“(i) who was a 1-percent owner (within the meaning of section 416(i)(1)(B)(ii)) at any time during the 10 preceding calendar years,

“(ii) who is or has been at any prior time—

“(I) the chief executive officer of such corporation or an individual acting in such a capacity, or

“(II) the chief financial officer of such corporation or an individual acting in such a capacity,

“(iii) who bears a relationship described in section 318(a)(1) to any individual described in subclause (I) or (II) of clause (ii), or

“(iv) who was for any of the 10 preceding taxable years one of the 4 highest compensated officers of such corporation, determined with respect to each such taxable year on the basis of the shareholder disclosure rules for compensation under the Securities Exchange Act of 1934 (as if such rules applied to such corporation).

“(4) ELECTION.—

“(A) TIME FOR MAKING ELECTION.—An election with respect to qualified stock shall be made under this subsection no later than 30 days after the first date the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, and shall be made in a manner similar to the manner in which an election is made under subsection (b).

“(B) LIMITATIONS.—No election may be made under this section with respect to any qualified stock if—

“(i) the qualified employee has made an election under subsection (b) with respect to such qualified stock,

“(ii) any stock of the corporation which issued the qualified stock is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) at any time before the election is made, or

“(iii) such corporation purchased any of its outstanding stock in the calendar year preceding the calendar year which includes the first date the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, unless—

“(I) not less than 25 percent of the total dollar amount of the stock so purchased is deferral stock, and

“(II) the determination of which individuals from whom deferral stock is purchased is made on a reasonable basis.

“(C) DEFINITIONS AND SPECIAL RULES RELATED TO LIMITATION ON STOCK REDEMPTIONS.—

“(i) DEFERRAL STOCK.—For purposes of this paragraph, the term ‘deferral stock’ means stock with respect to which an election is in effect under this subsection.

“(ii) DEFERRAL STOCK WITH RESPECT TO ANY INDIVIDUAL NOT TAKEN INTO ACCOUNT IF INDIVIDUAL HOLDS DEFERRAL STOCK WITH LONGER DEFERRAL PERIOD.—Stock purchased by a corporation from any individual shall not be treated as deferral stock for purposes of subparagraph (B)(ii) if such individual (immediately after such purchase) holds any deferral

stock with respect to which an election has been in effect under this subsection for a longer period than the election with respect to the stock so purchased.

“(iii) PURCHASE OF ALL OUTSTANDING DEFERRAL STOCK.—The requirements of subclauses (I) and (II) of subparagraph (B)(iii) shall be treated as met if the stock so purchased includes all of the corporation’s outstanding deferral stock.

“(iv) REPORTING.—Any corporation which has outstanding deferral stock as of the beginning of any calendar year and which purchases any of its outstanding stock during such calendar year shall include on its return of tax for the taxable year in which, or with which, such calendar year ends the total dollar amount of its outstanding stock so purchased during such calendar year and such other information as the Secretary requires for purposes of administering this paragraph.

“(5) CONTROLLED GROUPS.—For purposes of this subsection, all persons treated as a single employer under section 414(b) shall be treated as 1 corporation.

“(6) NOTICE REQUIREMENT.—Any corporation which transfers qualified stock to a qualified employee shall, at the time that (or a reasonable period before) an amount attributable to such stock would (but for this subsection) first be includible in the gross income of such employee—

“(A) certify to such employee that such stock is qualified stock, and

“(B) notify such employee—

“(i) that the employee may be eligible to elect to defer income on such stock under this subsection, and

“(ii) that, if the employee makes such an election—

“(I) the amount of income recognized at the end of the deferral period will be based on the value of the stock at the time at which the rights of the employee in such stock first become transferable or not subject to substantial risk of forfeiture, notwithstanding whether the value of the stock has declined during the deferral period,

“(II) the amount of such income recognized at the end of the deferral period will be subject to withholding under section 3401(i) at the rate determined under section 3402(t), and

“(III) the responsibilities of the employee (as determined by the Secretary under paragraph (3)(A)(ii)) with respect to such withholding.

“(7) RESTRICTED STOCK UNITS.—This section (other than this subsection), including any election under subsection (b), shall not apply to restricted stock units.”

(b) WITHHOLDING.—

(1) TIME OF WITHHOLDING.—Section 3401 is amended by adding at the end the following new subsection:

“(i) QUALIFIED STOCK FOR WHICH AN ELECTION IS IN EFFECT UNDER SECTION 83(i).—For purposes of subsection (a), qualified stock (as defined in section 83(i)) with respect to which an election is made under section 83(i) shall be treated as wages—

“(1) received on the earliest date described in section 83(i)(1)(B), and

“(2) in an amount equal to the amount included in income under section 83 for the taxable year which includes such date.”

(2) AMOUNT OF WITHHOLDING.—Section 3402 is amended by adding at the end the following new subsection:

“(t) RATE OF WITHHOLDING FOR CERTAIN STOCK.—In the case of any qualified stock (as defined in section 83(i)(2)) with respect to which an election is made under section 83(i)—

“(1) the rate of tax under subsection (a) shall not be less than the maximum rate of tax in effect under section 1, and

“(2) such stock shall be treated for purposes of section 3501(b) in the same manner as a non-cash fringe benefit.”.

(C) COORDINATION WITH OTHER DEFERRED COMPENSATION RULES.—

(1) ELECTION TO APPLY DEFERRAL TO STATUTORY OPTIONS.—

(A) INCENTIVE STOCK OPTIONS.—Section 422(b) is amended by adding at the end the following: “Such term shall not include any option if an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.”.

(B) EMPLOYEE STOCK PURCHASE PLANS.—Section 423 is amended—

(i) by adding at the end of subsection (a) the following flush sentence:

“The preceding sentence shall not apply to any share of stock with respect to which an election is made under section 83(i).”, and

(ii) in subsection (b)(5), by striking “and” before “the plan” and by inserting “, and the rules of section 83(i) shall apply in determining which employees have a right to make an election under such section” before the semicolon at the end.

(2) EXCLUSION FROM DEFINITION OF NON-QUALIFIED DEFERRED COMPENSATION PLAN.—Subsection (d) of section 409A is amended by adding at the end the following new paragraph:

“(7) TREATMENT OF QUALIFIED STOCK.—An arrangement under which an employee may receive qualified stock (as defined in section 83(i)(2)) shall not be treated as a nonqualified deferred compensation plan solely because of an employee’s election, or ability to make an election, to defer recognition of income under section 83(i).”.

(d) INFORMATION REPORTING.—Section 6051(a) is amended by striking “and” at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting a comma, and by inserting after paragraph (14) the following new paragraphs:

“(15) the amount includable in gross income under subparagraph (A) of section 83(i)(1) with respect to an event described in subparagraph (B) of such section which occurs in such calendar year, and

“(16) the aggregate amount of income which is being deferred pursuant to elections under section 83(i), determined as of the close of the calendar year.”.

(e) PENALTY FOR FAILURE OF EMPLOYER TO PROVIDE NOTICE OF TAX CONSEQUENCES.—Section 6652 is amended by adding at the end the following new subsection:

“(p) FAILURE TO PROVIDE NOTICE UNDER SECTION 83(i).—In the case of each failure to provide a notice as required by section 83(i)(6), at the time prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid, on notice and demand of the Secretary and in the same manner as tax, by the person failing to provide such notice, an amount equal to \$100 for each such failure, but the total amount imposed on such person for all such failures during any calendar year shall not exceed \$50,000.”.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to stock attributable to options exercised, or restricted stock units settled, after December 31, 2017.

(2) REQUIREMENT TO PROVIDE NOTICE.—The amendments made by subsection (e) shall apply to failures after December 31, 2017.

(g) TRANSITION RULE.—Until such time as the Secretary (or the Secretary’s delegate) issues regulations or other guidance for purposes of implementing the requirements of paragraph (2)(C)(i)(II) of section 83(i) of the Internal Revenue Code of 1986 (as added by this section), or the requirements of para-

graph (6) of such section, a corporation shall be treated as being in compliance with such requirements (respectively) if such corporation complies with a reasonable good faith interpretation of such requirements.

SEC. 13604. INCREASE IN EXCISE TAX RATE FOR STOCK COMPENSATION OF INSIDERS IN EXPATRIATED CORPORATIONS.

(a) IN GENERAL.—Section 4985(a)(1) is amended by striking “section 1(h)(1)(C)” and inserting “section 1(h)(1)(D)”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to corporations first becoming expatriated corporations (as defined in section 4985 of the Internal Revenue Code of 1986) after the date of enactment of this Act.

Subpart B—Retirement Plans

SEC. 13611. CONFORMITY OF CONTRIBUTION LIMITS FOR EMPLOYER-SPONSORED RETIREMENT PLANS.

(a) 403(B) PLANS.—

(1) ELIMINATION OF SPECIAL CATCH-UP RULE.—Subsection (g) of section 402 is amended by striking paragraph (7) and by redesignating paragraph (8) as paragraph (7).

(2) ELIMINATION OF POST TERMINATION NON-ELECTIVE CONTRIBUTIONS.—Subsection (b) of section 403 is amended—

(A) in paragraph (3), by striking “for the most recent period” and all that follows through “more than five years”, and

(B) by striking paragraph (4).

(3) ELIMINATION OF SEPARATE 415(C) LIMITS.—Paragraph (4) of section 415(k) is amended by striking “each employer with respect to which the participant has the control required” and inserting “the employer and each employer which is part of the same controlled group or under common control”.

(b) 457(B) PLANS.—

(1) ELIMINATION OF SEPARATE DEFERRAL LIMIT.—Paragraph (3) of section 402(g) is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by inserting after subparagraph (D) the following new subparagraph:

“(E) any amount deferred under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A).”.

(2) TAKEN INTO ACCOUNT UNDER LIMITATION FOR DEFINED CONTRIBUTION PLANS.—

(A) IN GENERAL.—Paragraph (2) of section 415(a) is amended—

(i) by striking “or” at the end of subparagraph (B), by inserting “or” at the end of subparagraph (C), and by inserting after subparagraph (C) the following new subparagraph:

“(D) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A).”, and

(ii) by striking “or 408(k)” in the flush language and inserting “408(k), or 457(b)”.

(B) DEFINITION.—Paragraph (1) of section 415(k) is amended by striking “or” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, or”, and by adding at the end the following new subparagraph:

“(E) an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A).”.

(3) ELIMINATION OF SPECIAL CATCH-UP RULE.—Paragraph (3) of section 457(b) is amended by inserting “in the case of an eligible employer described in subsection (e)(1)(B).” before “which”.

(c) CONFORMING AMENDMENTS.—

(1) Section 25B(d)(1)(B) is amended—

(A) by striking clause (ii), and

(B) by striking “the amount of—” and all that follows through “any elective deferrals”

and inserting “the amount of any elective deferrals”.

(2) Section 402A(e)(2) is amended by striking “means—” and all that follows and inserting “means any elective deferral described in subparagraph (A), (C), or (E) of section 402(g)(3).”.

(3) Section 457(e) is amended by striking paragraph (18).

(4) Section 414(u)(2)(C) is amended by inserting “of an eligible employer described in section 457(e)(1)(B)” after “(as defined in section 457(b))”.

(5) Section 414(v)(2)(D) is amended—

(A) by striking “clauses (i), (ii), and (iv) of”, and

(B) by striking “, and plans described in clause (iii)” and all that follows and inserting a period.

(6) Section 414(v)(3)(A)(i) is amended by striking “(determined without regard to section 457(b)(3))”.

(7) Section 414(v)(6)(B) is amended by striking “subsection (u)(2)(C)” and inserting “section 402(g)(3)”.

(8) Section 414(v)(6) is amended by striking subparagraph (C).

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years and taxable years beginning after December 31, 2017.

SEC. 13612. REPEAL OF SPECIAL RULE PERMITTING RECHARACTERIZATION OF BOTH IRA CONTRIBUTIONS AS TRADITIONAL IRA CONTRIBUTIONS.

(a) IN GENERAL.—Section 408A(d) is amended by striking paragraph (6) and by redesignating paragraph (7) as paragraph (6).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13613. MODIFICATION OF RULES APPLICABLE TO LENGTH OF SERVICE AWARD PLANS.

(a) MAXIMUM DEFERRAL AMOUNT.—Clause (ii) of section 457(e)(11)(B) is amended by striking “\$3,000” and inserting “\$6,000”.

(b) COST OF LIVING ADJUSTMENT.—Subparagraph (B) of section 457(e)(11) is amended by adding at the end the following:

“(iii) COST OF LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2017, the Secretary shall adjust the \$6,000 amount under clause (ii) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2016, and any increase under this paragraph that is not a multiple of \$500 shall be rounded to the next lowest multiple of \$500.”.

(c) APPLICATION OF LIMITATION ON ACCRUALS.—Subparagraph (B) of section 457(e)(11), as amended by subsection (b), is amended by adding at the end the following:

“(iv) SPECIAL RULE FOR APPLICATION OF LIMITATION ON ACCRUALS FOR CERTAIN PLANS.—In the case of a plan described in subparagraph (A)(ii) which is a defined benefit plan (as defined in section 414(j)), the limitation under clause (ii) shall apply to the actuarial present value of the aggregate amount of length of service awards accruing with respect to any year of service. Such actuarial present value with respect to any year shall be calculated using reasonable actuarial assumptions and methods, assuming payment will be made under the most valuable form of payment under the plan with payment commencing at the later of the earliest age at which unreduced benefits are payable under the plan or the participant’s age at the time of the calculation.”.

(d) EFFECTIVE DATE.—The amendments made by this Act shall apply to taxable years beginning after December 31, 2017.

SEC. 13614. EXTENDED ROLLOVER PERIOD FOR PLAN LOAN OFFSET AMOUNTS.

(a) IN GENERAL.—Paragraph (3) of section 402(c) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

“(B) ROLLOVER OF CERTAIN PLAN LOAN OFFSET AMOUNTS.—

“(i) IN GENERAL.—In the case of an eligible rollover distribution of a qualified plan loan offset amount, the requirements of subparagraph (A) shall be treated as met if such transfer occurs on or before the due date (including extensions) for filing the return of tax for the taxable year in which such amount is treated as distributed from a qualified employer plan.

“(ii) QUALIFIED PLAN LOAN OFFSET AMOUNT.—For purposes of this subparagraph, the term ‘qualified plan loan offset amount’ means a plan loan offset amount which is treated as distributed from a qualified employer plan to a participant or beneficiary solely by reason of—

“(I) the termination of the qualified employer plan, or

“(II) the failure to meet the repayment terms of the loan from such plan because of the severance from employment of the participant.

“(iii) PLAN LOAN OFFSET AMOUNT.—For purposes of clause (ii), the term ‘plan loan offset amount’ means the amount by which the participant’s accrued benefit under the plan is reduced in order to repay a loan from the plan.

“(iv) LIMITATION.—This subparagraph shall not apply to any plan loan offset amount unless such plan loan offset amount relates to a loan to which section 72(p)(1) does not apply by reason of section 72(p)(2).

“(v) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4).”

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 402(c)(3) is amended by striking “subparagraph (B)” and inserting “subparagraphs (B) and (C)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan loan offset amounts which are treated as distributed in taxable years beginning after December 31, 2017.

PART VIII—EXEMPT ORGANIZATIONS**SEC. 13701. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.**

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

“Subchapter H—Excise Tax Based on Investment Income of Private Colleges and Universities

“Sec. 4968. Excise tax based on investment income of private colleges and universities.

“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 1.4 percent of the net investment income of such institution for the taxable year.

“(b) 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) which is not described in the first sentence of section 511(a)(2)(B) (relating to State colleges and universities), and

“(C) the aggregate fair market value of the assets of which at the end of the preceding taxable year (other than those assets which are used directly in carrying out the institution’s exempt purpose) is at least \$250,000 per student of the institution.

“(2) STUDENTS.—For purposes of paragraph (1), the number of students of an institution 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).

“(c) NET INVESTMENT INCOME.—For purposes of this section, net investment income shall be determined under rules similar to the rules of section 4940(c).

“(d) ASSETS AND NET INVESTMENT INCOME OF RELATED ORGANIZATIONS.—

“(1) IN GENERAL.—For purposes of subsections (b)(1)(C) and (c), 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.”

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

“SUBCHAPTER H—EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13702. 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.—Subsection (b) of section 512 is amended by adding at the end the following new paragraph:

“(20) SPECIAL RULE FOR NAME AND LOGO ROYALTIES.—Notwithstanding paragraph (1), (2), (3), or (5), 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, 2017.

SEC. 13703. UNRELATED BUSINESS TAXABLE INCOME SEPARATELY COMPUTED FOR EACH TRADE OR BUSINESS ACTIVITY.

(a) IN GENERAL.—Subsection (a) of section 512 is amended by adding at the end the following new paragraph:

“(6) SPECIAL RULE FOR ORGANIZATION WITH MORE THAN 1 UNRELATED TRADE OR BUSINESS.—In the case of any organization with more than 1 unrelated trade or business—

“(A) unrelated business taxable income, including for purposes of determining any net operating loss deduction, shall be computed separately with respect to each such trade or business and without regard to subsection (b)(12),

“(B) the unrelated business taxable income of such organization shall be the sum of the unrelated business taxable income so computed with respect to each such trade or business, less a specific deduction under subsection (b)(12), and

“(C) for purposes of subparagraph (B), unrelated business taxable income with respect to any such trade or business shall not be less than zero.”

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except to the extent provided in paragraph (2), the amendment made by this section shall apply to taxable years beginning after December 31, 2017.

(2) CARRYOVERS OF NET OPERATING LOSSES.—If any net operating loss arising in a taxable year beginning before January 1, 2018, is carried over to a taxable year beginning on or after such date—

(A) subparagraph (A) of section 512(a)(6) of the Internal Revenue Code of 1986, as added by this Act, shall not apply to such net operating loss, and

(B) the unrelated business taxable income of the organization, after the application of subparagraph (B) of such section, shall be reduced by the amount of such net operating loss.

SEC. 13704. REPEAL OF TAX-EXEMPT STATUS FOR PROFESSIONAL SPORTS LEAGUES.

(a) IN GENERAL.—Paragraph (6) of section 501(c) is amended—

(1) by striking “, boards of trade, or professional” and all that follows through “players)” and inserting “, or boards of trade”, and

(2) by adding at the end the following: “This paragraph shall not apply to any professional sports league (whether or not administering a pension fund for players).”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13705. MODIFICATION OF TAXES ON EXCESS BENEFIT TRANSACTIONS.

(a) ORGANIZATION LEVEL TAX.—Subsection (a) of section 4958 is amended by adding at the end the following new paragraph:

“(3) ON THE ORGANIZATION.—In any case in which a tax is imposed by paragraph (1), there is hereby imposed on the organization a tax equal to 10 percent of the excess benefit, unless the participation of the organization in the excess benefit transaction is not willful and is due to reasonable cause.”

(b) MINIMUM STANDARDS OF ORGANIZATION DUE DILIGENCE.—Subsection (d) of section 4958 is amended by adding at the end the following new paragraph:

“(3) MINIMUM STANDARDS OF ORGANIZATION DUE DILIGENCE.—

“(A) IN GENERAL.—Subsection (a)(3) shall not apply to a transaction, if—

“(i) the organization establishes that the minimum standards of due diligence described in subparagraph (B) were met with respect to the transaction, or

“(ii) the organization establishes to the satisfaction of the Secretary that other reasonable procedures were used to ensure that no excess benefit was provided.

“(B) MINIMUM STANDARDS.—An organization shall be treated as satisfying the minimum standards of due diligence described in this subparagraph with respect to any transaction, if—

“(i) the transaction was approved in advance by an authorized body of the organization composed entirely of individuals who did not have a conflict of interest with respect to the transaction,

“(ii) the authorized body obtained and relied upon appropriate data as to comparability prior to approval of the transaction, and

“(iii) the authorized body adequately and concurrently documented the basis for approving the transaction.

“(C) NO PRESUMPTION AS TO REASONABLENESS.—Meeting the requirements of clause (i) or (ii) of subparagraph (A) with respect to a transaction shall not give rise to a presumption of reasonableness for purposes of the taxes imposed by paragraphs (1) of (2) of subsection (a) and shall not, by itself, support a conclusion that a manager did not act knowingly for purposes of subsection (a)(2) or that the organization did not act wilfully or without reasonable cause for purposes of subsection (a)(3).”

(c) REPEAL OF EXCEPTION FOR MANAGER RELIANCE ON PROFESSIONAL ADVICE.—Section 4958 is amended by adding at the end the following new subsection:

“(g) NO SAFE HARBOR FOR RELIANCE ON PROFESSIONAL ADVICE.—An organization manager’s reliance on a written opinion of a professional with respect to elements of a transaction within the professional’s expertise shall not, by itself, preclude the manager from being treated as participating in the transaction knowingly.”

(d) ATHLETIC COACHES AND INVESTMENT MANAGERS TREATED AS DISQUALIFIED PERSONS.—

(1) ATHLETIC COACHES.—

(A) IN GENERAL.—Paragraph (1) of section 4958(f) 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) which involves an eligible educational institution (as defined in section 25A(f)(2)), any person who performs services as an athletic coach for the organization.”

(B) FAMILY MEMBERS.—Subparagraph (B) of section 4958(f)(1) is amended by inserting “or (G)” after “subparagraph (A)”.

(2) INVESTMENT ADVISORS.—

(A) IN GENERAL.—Subparagraph (F) of section 4958(f)(1) is amended—

(i) by striking “which involves a sponsoring organization (as defined in section 4966(d)(1)),” and

(ii) by striking “such sponsoring organization (as so defined)” and inserting “the organization”.

(B) INVESTMENT ADVISOR DEFINITION.—Subparagraph (B) of section 4958(f)(8) is amended to read as follows:

“(B) INVESTMENT ADVISOR DEFINED.—For purposes of subparagraph (A), the term ‘investment advisor’ means—

“(i) with respect to any organization, any person who is compensated by such organization and is primarily responsible for managing the investment of, or providing investment advice with respect to, assets of such organization, and

“(ii) with respect to any sponsoring organization (as defined in section 4966(d)(1)), any person (other than an employee of such organization) compensated by such organization for managing the investment of, or providing investment advice with respect to, assets maintained in donor advised funds (as defined in section 4966(d)(2)) owned by such organization.”

(e) APPLICATION TO UNIONS AND TRADE ASSOCIATIONS.—Paragraph (1) of section 4958(e) is amended by inserting “(5), (6),” after “(4).”

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13706. EXCEPTION FROM PRIVATE FOUNDATION EXCESS BUSINESS HOLDING TAX FOR INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS HOLDINGS.

(a) IN GENERAL.—Section 4943 is amended by adding at the end the following new subsection:

“(g) EXCEPTION FOR CERTAIN HOLDINGS LIMITED TO INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS.—

“(1) IN GENERAL.—Subsection (a) shall not apply with respect to the holdings of a private foundation in any business enterprise which meets the requirements of paragraphs (2), (3), and (4) for the taxable year.

“(2) OWNERSHIP.—The requirements of this paragraph are met if—

“(A) 100 percent of the voting stock in the business enterprise is held by the private foundation at all times during the taxable year, and

“(B) all the private foundation’s ownership interests in the business enterprise were acquired by means other than by purchase.

“(3) ALL PROFITS TO CHARITY.—

“(A) IN GENERAL.—The requirements of this paragraph are met if the business enterprise, not later than 120 days after the close of the taxable year, distributes an amount equal to its net operating income for such taxable year to the private foundation.

“(B) NET OPERATING INCOME.—For purposes of this paragraph, the net operating income of any business enterprise for any taxable year is an amount equal to the gross income of the business enterprise for the taxable year, reduced by the sum of—

“(i) the deductions allowed by chapter 1 for the taxable year which are directly connected with the production of such income,

“(ii) the tax imposed by chapter 1 on the business enterprise for the taxable year, and

“(iii) an amount for a reasonable reserve for working capital and other business needs of the business enterprise.

“(4) INDEPENDENT OPERATION.—The requirements of this paragraph are met if, at all times during the taxable year—

“(A) no substantial contributor (as defined in section 4958(c)(3)(C)) to the private foundation or family member (as determined under section 4958(f)(4)) of such a contributor is a director, officer, trustee, manager, employee, or contractor of the business enterprise (or an individual having powers or responsibilities similar to any of the foregoing),

“(B) at least a majority of the board of directors of the private foundation are persons who are not—

“(i) directors or officers of the business enterprise, or

“(ii) family members (as so determined) of a substantial contributor (as so defined) to the private foundation, and

“(C) there is no loan outstanding from the business enterprise to a substantial contributor (as so defined) to the private foundation or to any family member of such a contributor (as so determined).

“(5) CERTAIN DEEMED PRIVATE FOUNDATIONS EXCLUDED.—This subsection shall not apply to—

“(A) any fund or organization treated as a private foundation for purposes of this section by reason of subsection (e) or (f),

“(B) any trust described in section 4947(a)(1) (relating to charitable trusts), and

“(C) any trust described in section 4947(a)(2) (relating to split-interest trusts).”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13707. REPEAL OF DEDUCTION FOR AMOUNTS PAID IN EXCHANGE FOR COLLEGE ATHLETIC EVENT SEATING RIGHTS.

(a) IN GENERAL.—Section 170(l)(1) is amended to read as follows:

“(1) IN GENERAL.—No deduction shall be allowed under this section for any amount described in paragraph (2).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2017.

SEC. 13708. REPEAL OF SUBSTANTIATION EXCEPTION IN CASE OF CONTRIBUTIONS REPORTED BY DONEE.

(a) IN GENERAL.—Section 170(f)(8) is amended by striking subparagraph (D) and by redesignating subparagraph (E) as subparagraph (D).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2016.

PART IX—OTHER PROVISIONS

Subpart A—Craft Beverage Modernization and Tax Reform

SEC. 13801. RULE OF CONSTRUCTION.

Nothing in this subpart, the amendments made by this subpart, or any regulation promulgated under this subpart or the amendments made by this subpart, shall be construed to preempt, supersede, or otherwise limit or restrict any State, local, or tribal law that prohibits or regulates the production or sale of distilled spirits, wine, or malt beverages.

SEC. 13802. PRODUCTION PERIOD FOR BEER, WINE, AND DISTILLED SPIRITS.

(a) IN GENERAL.—Section 263A(f) is amended—

(1) by redesignating paragraph (4) as paragraph (5), and

(2) by inserting after paragraph (3) the following new paragraph:

“(4) EXEMPTION FOR AGING PROCESS OF BEER, WINE, AND DISTILLED SPIRITS.—

“(A) IN GENERAL.—For purposes of this subsection, the production period shall not include the aging period for—

“(i) beer (as defined in section 5052(a)),

“(ii) wine (as described in section 5041(a)), or

“(iii) distilled spirits (as defined in section 5002(a)(8)), except such spirits that are unfit for use for beverage purposes.

“(B) TERMINATION.—This paragraph shall not apply to interest costs paid or accrued after December 31, 2019.”

(b) CONFORMING AMENDMENT.—Paragraph (5)(B)(ii) of section 263A(f), as redesignated by this section, is amended by inserting “except as provided in paragraph (4),” before “ending on the date”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to interest costs paid or accrued in calendar years beginning after December 31, 2017.

SEC. 13803. REDUCED RATE OF EXCISE TAX ON BEER.

(a) IN GENERAL.—Paragraph (1) of section 5051(a) is amended to read as follows:

“(1) IN GENERAL.—

“(A) IMPOSITION OF TAX.—A tax is hereby imposed on all beer brewed or produced, and removed for consumption or sale, within the United States, or imported into the United States. Except as provided in paragraph (2), the rate of such tax shall be the amount determined under this paragraph.

“(B) RATE.—Except as provided in subparagraph (B), the rate of tax shall be \$18 for per barrel.

“(C) SPECIAL RULE.—In the case of beer removed after December 31, 2017, and before January 1, 2020, the rate of tax shall be—

“(i) \$16 on the first 6,000,000 barrels of beer—

“(I) brewed by the brewer and removed during the calendar year for consumption or sale, or

“(II) imported by the importer into the United States during the calendar year, and

“(ii) \$18 on any barrels of beer to which clause (i) does not apply.

“(D) BARREL.—For purposes of this section, a barrel shall contain not more than 31 gallons of beer, and any tax imposed under this section shall be applied at a like rate for any other quantity or for fractional parts of a barrel.”.

(b) REDUCED RATE FOR CERTAIN DOMESTIC PRODUCTION.—Subparagraph (A) of section 5051(a)(2) is amended—

(1) in the heading, by striking “\$7 A BARREL”, and

(2) by inserting “\$3.50 in the case of beer removed after December 31, 2017, and before January 1, 2020)” after “\$7”.

(c) APPLICATION OF REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (a) of section 5051 is amended—

(1) in subparagraph (C)(ii) of paragraph (1), as amended by subsection (a), by inserting “but only if the importer is an electing importer under paragraph (4) and the barrels have been assigned to the importer pursuant to such paragraph” after “during the calendar year”, and

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

“(4) REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

“(A) IN GENERAL.—In the case of any barrels of beer which have been brewed or produced outside of the United States and imported into the United States, the rate of tax applicable under clause (i) of paragraph (1)(C) (referred to in this paragraph as the ‘reduced tax rate’) may be assigned by the brewer (provided that the brewer makes an election described in subparagraph (B)(ii)) to any electing importer of such barrels pursuant to the requirements established by the Secretary under subparagraph (B).

“(B) ASSIGNMENT.—The Secretary shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the reduced tax rate provided under this paragraph, which shall include—

“(i) a limitation to ensure that the number of barrels of beer for which the reduced tax rate has been assigned by a brewer—

“(I) to any importer does not exceed the number of barrels of beer brewed or produced by such brewer during the calendar year which were imported into the United States by such importer, and

“(II) to all importers does not exceed the 6,000,000 barrels to which the reduced tax rate applies,

“(ii) procedures that allow the election of a brewer to assign and an importer to receive the reduced tax rate provided under this paragraph,

“(iii) requirements that the brewer provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and

“(iv) procedures that allow for revocation of eligibility of the brewer and the importer for the reduced tax rate provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate.

“(C) CONTROLLED GROUP.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the brewer, as described under paragraph (5).”.

(d) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—Subsection (a) of section 5051, as amended by this section, is amended—

(1) in paragraph (2)—

(A) by striking subparagraph (B), and

(B) by redesignating subparagraph (C) as subparagraph (B), and

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

“(5) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(C)(i) and the 2,000,000 barrel quantity specified in paragraph (2)(A) shall be applied to the controlled group, and the 6,000,000 barrel quantity specified in paragraph (1)(C)(i) and the 60,000 barrel quantity specified in paragraph (2)(A) shall be apportioned among the brewers who are members of such group in such manner as the Secretary or their delegate shall by regulations prescribe. For purposes of the preceding sentence, the term ‘controlled group’ has the meaning assigned to it by subsection (a) of section 1563, except that for such purposes the phrase ‘more than 50 percent’ shall be substituted for the phrase ‘at least 80 percent’ in each place it appears in such subsection. Under regulations prescribed by the Secretary, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation.

“(B) FOREIGN MANUFACTURERS AND IMPORTERS.—For purposes of paragraph (4), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(C)(i) shall be applied to the controlled group and apportioned among the members of such group in such manner as the Secretary shall by regulations prescribe. For purposes of the preceding sentence, the term ‘controlled group’ has the meaning given such term under subparagraph (A). Under regulations prescribed by the Secretary, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation.

“(C) SINGLE TAXPAYER.—Pursuant to rules issued by the Secretary, two or more entities (whether or not under common control) that produce beer marketed under a similar brand, license, franchise, or other arrangement shall be treated as a single taxpayer for purposes of the application of this subsection.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to beer removed after December 31, 2017.

SEC. 13804. SIMPLIFICATION OF RULES REGARDING RECORDS, STATEMENTS, AND RETURNS.

(a) IN GENERAL.—Subsection (a) of section 5555 is amended by adding at the end the following: “For calendar quarters beginning after December 31, 2017, and before January 1, 2020, the Secretary shall permit a person to employ a unified system for any records, statements, and returns required to be kept, rendered, or made under this section for any beer produced in the brewery for which the tax imposed by section 5051 has been determined, including any beer which has been removed for consumption on the premises of the brewery.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to any calendar quarters beginning after December 31, 2017.

SEC. 13805. TRANSFER OF BEER BETWEEN BONDED FACILITIES.

(a) IN GENERAL.—Section 5414 is amended—

(1) by striking “Beer may be removed” and inserting “(a) IN GENERAL.—Beer may be removed”, and

(2) by adding at the end the following:

“(b) TRANSFER OF BEER BETWEEN BONDED FACILITIES.—

“(1) IN GENERAL.—Beer may be removed from one brewery to another bonded brewery, without payment of tax, and may be mingled with beer at the receiving brewery, subject to such conditions, including payment of the tax, and in such containers, as the Secretary by regulations shall prescribe, which shall include—

“(A) any removal from one brewery to another brewery belonging to the same brewer,

“(B) any removal from a brewery owned by one corporation to a brewery owned by another corporation when—

“(i) one such corporation owns the controlling interest in the other such corporation, or

“(ii) the controlling interest in each such corporation is owned by the same person or persons, and

“(C) any removal from one brewery to another brewery when—

“(i) the proprietors of transferring and receiving premises are independent of each other and neither has a proprietary interest, directly or indirectly, in the business of the other, and

“(ii) the transferor has divested itself of all interest in the beer so transferred and the transferee has accepted responsibility for payment of the tax.

“(2) TRANSFER OF LIABILITY FOR TAX.—For purposes of paragraph (1)(C), such relief from liability shall be effective from the time of removal from the transferor’s bonded premises, or from the time of divestment of interest, whichever is later.

“(3) TERMINATION.—This subsection shall not apply to any calendar quarter beginning after December 31, 2019.”.

(b) REMOVAL FROM BREWERY BY PIPELINE.—Section 5412 is amended by inserting “pursuant to section 5414 or” before “by pipeline”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any calendar quarters beginning after December 31, 2017.

SEC. 13806. REDUCED RATE OF EXCISE TAX ON CERTAIN WINE.

(a) IN GENERAL.—Section 5041(c) is amended by adding at the end the following new paragraph:

“(8) SPECIAL RULE FOR 2018 AND 2019.—

“(A) IN GENERAL.—In the case of wine removed after December 31, 2017, and before January 1, 2020, paragraphs (1) and (2) shall not apply and there shall be allowed as a credit against any tax imposed by this title (other than chapters 2, 21, and 22) an amount equal to the sum of—

“(i) \$1 per wine gallon on the first 30,000 wine gallons of wine, plus

“(ii) 90 cents per wine gallon on the first 100,000 wine gallons of wine to which clause (i) does not apply, plus

“(iii) 53.5 cents per wine gallon on the first 620,000 wine gallons of wine to which clauses (i) and (ii) do not apply,

which are produced by the producer and removed during the calendar year for consumption or sale, or which are imported by the importer into the United States during the calendar year.

“(B) ADJUSTMENT OF CREDIT FOR HARD CIDER.—In the case of wine described in subsection (b)(6), subparagraph (A) of this paragraph shall be applied—

“(i) in clause (i) of such subparagraph, by substituting ‘6.2 cents’ for ‘\$1’,

“(ii) in clause (ii) of such subparagraph, by substituting ‘5.6 cents’ for ‘90 cents’, and

“(iii) in clause (iii) of such subparagraph, by substituting ‘3.3 cents’ for ‘53.5 cents’.”.

(b) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—Paragraph (4) of section 5041(c) is amended by striking “section 5051(a)(2)(B)” and inserting “section 5051(a)(5)”.

(c) ALLOWANCE OF CREDIT FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (c) of section 5041, as amended by subsection (a), is amended—

(1) in subparagraph (A) of paragraph (8), by inserting “but only if the importer is an electing importer under paragraph (9) and the wine gallons of wine have been assigned to the importer pursuant to such paragraph” after “into the United States during the calendar year”, and

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

“(9) ALLOWANCE OF CREDIT FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

“(A) IN GENERAL.—In the case of any wine gallons of wine which have been produced outside of the United States and imported into the United States, the credit allowable under paragraph (8) (referred to in this paragraph as the ‘tax credit’) may be assigned by the person who produced such wine (referred to in this paragraph as the ‘foreign producer’), provided that such person makes an election described in subparagraph (B)(ii), to any electing importer of such wine gallons pursuant to the requirements established by the Secretary under subparagraph (B).

“(B) ASSIGNMENT.—The Secretary shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the tax credit provided under this paragraph, which shall include—

“(i) a limitation to ensure that the number of wine gallons of wine for which the tax credit has been assigned by a foreign producer—

“(I) to any importer does not exceed the number of wine gallons of wine produced by such foreign producer during the calendar year which were imported into the United States by such importer, and

“(II) to all importers does not exceed the 750,000 wine gallons of wine to which the tax credit applies,

“(ii) procedures that allow the election of a foreign producer to assign and an importer to receive the tax credit provided under this paragraph,

“(iii) requirements that the foreign producer provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and

“(iv) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such credit.

“(C) CONTROLLED GROUP.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the foreign producer, as described under paragraph (4).”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

SEC. 13807. ADJUSTMENT OF ALCOHOL CONTENT LEVEL FOR APPLICATION OF EXCISE TAX RATES.

(a) IN GENERAL.—Paragraphs (1) and (2) of section 5041(b) are each amended by inserting “(16 percent in the case of wine removed after December 31, 2017, and before January 1, 2020” after “14 percent”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

SEC. 13808. DEFINITION OF MEAD AND LOW ALCOHOL BY VOLUME WINE.

(a) IN GENERAL.—Section 5041 is amended—

(1) in subsection (a), by striking “Still wines” and inserting “Subject to subsection (h), still wines”, and

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

“(h) MEAD AND LOW ALCOHOL BY VOLUME WINE.—

“(1) IN GENERAL.—For purposes of subsections (a) and (b)(1), mead and low alcohol by volume wine shall be deemed to be still wines containing not more than 16 percent of alcohol by volume.

“(2) DEFINITIONS.—

“(A) MEAD.—For purposes of this section, the term ‘mead’ means a wine—

“(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, except that the Secretary shall by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice,

“(ii) which is derived solely from honey and water,

“(iii) which contains no fruit product or fruit flavoring, and

“(iv) which contains less than 8.5 percent alcohol by volume.

“(B) LOW ALCOHOL BY VOLUME WINE.—For purposes of this section, the term ‘low alcohol by volume wine’ means a wine—

“(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, except that the Secretary shall by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice,

“(ii) which is derived—

“(I) primarily from grapes, or

“(II) from grape juice concentrate and water,

“(iii) which contains no fruit product or fruit flavoring other than grape, and

“(iv) which contains less than 8.5 percent alcohol by volume.

“(3) TERMINATION.—This subsection shall not apply to wine removed after December 31, 2019.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

SEC. 13809. REDUCED RATE OF EXCISE TAX ON CERTAIN DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5001 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

“(c) REDUCED RATE FOR 2018 AND 2019.—

“(1) IN GENERAL.—In the case of a distilled spirits operation, the otherwise applicable tax rate under subsection (a)(1) shall be—

“(A) \$2.70 per proof gallon on the first 100,000 proof gallons of distilled spirits, and

“(B) \$13.34 per proof gallon on the first 22,130,000 of proof gallons of distilled spirits to which subparagraph (A) does not apply, which have been distilled or processed by such operation and removed during the calendar year for consumption or sale, or which have been imported by the importer into the United States during the calendar year.

“(2) CONTROLLED GROUPS.—

“(A) IN GENERAL.—In the case of a controlled group, the proof gallon quantities specified under subparagraphs (A) and (B) of paragraph (1) shall be applied to such group and apportioned among the members of such group in such manner as the Secretary or their delegate shall by regulations prescribe.

“(B) DEFINITION.—For purposes of subparagraph (A), the term ‘controlled group’ shall have the meaning given such term by subsection (a) of section 1563, except that ‘more than 50 percent’ shall be substituted for ‘at least 80 percent’ each place it appears in such subsection.

“(C) RULES FOR NON-CORPORATIONS.—Under regulations prescribed by the Secretary, principles similar to the principles of subparagraphs (A) and (B) shall be applied to a group under common control where one or more of the persons is not a corporation.

“(D) SINGLE TAXPAYER.—Pursuant to rules issued by the Secretary, two or more entities (whether or not under common control) that produce distilled spirits marketed under a similar brand, license, franchise, or other arrangement shall be treated as a single taxpayer for purposes of the application of this subsection.

“(3) TERMINATION.—This subsection shall not apply to distilled spirits removed after December 31, 2019.”

(b) CONFORMING AMENDMENT.—Section 7652(f)(2) is amended by striking “section 5001(a)(1)” and inserting “subsection (a)(1) of section 5001, determined as if subsection (c)(1) of such section did not apply”.

(c) APPLICATION OF REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (c) of section 5001, as added by subsection (a), is amended—

(1) in paragraph (1), by inserting “but only if the importer is an electing importer under paragraph (3) and the proof gallons of distilled spirits have been assigned to the importer pursuant to such paragraph” after “into the United States during the calendar year”, and

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

“(3) REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

“(A) IN GENERAL.—In the case of any proof gallons of distilled spirits which have been produced outside of the United States and imported into the United States, the rate of tax applicable under paragraph (1) (referred to in this paragraph as the ‘reduced tax rate’) may be assigned by the distilled spirits operation (provided that such operation makes an election described in subparagraph (B)(ii)) to any electing importer of such proof gallons pursuant to the requirements established by the Secretary under subparagraph (B).

“(B) ASSIGNMENT.—The Secretary shall, through such rules, regulations, and procedures as are determined appropriate, establish procedures for assignment of the reduced tax rate provided under this paragraph, which shall include—

“(i) a limitation to ensure that the number of proof gallons of distilled spirits for which the reduced tax rate has been assigned by a distilled spirits operation—

“(I) to any importer does not exceed the number of proof gallons produced by such operation during the calendar year which were imported into the United States by such importer, and

“(II) to all importers does not exceed the 22,230,000 proof gallons of distilled spirits to which the reduced tax rate applies,

“(ii) procedures that allow the election of a distilled spirits operation to assign and an importer to receive the reduced tax rate provided under this paragraph,

“(iii) requirements that the distilled spirits operation provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and

“(iv) procedures that allow for revocation of eligibility of the distilled spirits operation and the importer for the reduced tax rate provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate.

“(C) CONTROLLED GROUP.—

“(i) IN GENERAL.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the distilled spirits operation, as described under paragraph (2).

“(ii) APPORTIONMENT.—For purposes of this paragraph, in the case of a controlled group, rules similar to section 5051(a)(5)(B) shall apply.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distilled spirits removed after December 31, 2017.

SEC. 13810. BULK DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5212 is amended by adding at the end the following sentence: “In the case of distilled spirits transferred in bond after December 31, 2017, and before January 1, 2020, this section shall be applied without regard to whether distilled spirits are bulk distilled spirits.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distilled spirits transferred in bond after December 31, 2017.

Subpart B—Miscellaneous Provisions

SEC. 13821. MODIFICATION OF TAX TREATMENT OF ALASKA NATIVE CORPORATIONS AND SETTLEMENT TRUSTS.

(a) EXCLUSION FOR ANCSA PAYMENTS ASSIGNED TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting before section 140 the following new section:

“SEC. 139G. ASSIGNMENTS TO ALASKA NATIVE SETTLEMENT TRUSTS.

“(a) IN GENERAL.—In the case of a Native Corporation, gross income shall not include the value of any payments that would otherwise be made, or treated as being made, to such Native Corporation pursuant to, or as required by, any provision of the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), including any payment that would otherwise be made to a Village Corporation pursuant to section 7(j) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(j)), provided that any such payments—

“(1) are assigned in writing to a Settlement Trust, and

“(2) were not received by such Native Corporation prior to the assignment described in paragraph (1).

“(b) INCLUSION IN GROSS INCOME.—In the case of a Settlement Trust which has been assigned payments described in subsection (a), gross income shall include such payments when received by such Settlement Trust pursuant to the assignment and shall have the same character as if such payments were received by the Native Corporation.

“(c) AMOUNT AND SCOPE OF ASSIGNMENT.—The amount and scope of any assignment under subsection (a) shall be described with reasonable particularity and may either be in a percentage of one or more such payments or in a fixed dollar amount.

“(d) DURATION OF ASSIGNMENT; REVOCABILITY.—Any assignment under subsection (a) shall specify—

“(1) a duration either in perpetuity or for a period of time, and

“(2) whether such assignment is revocable.

“(e) PROHIBITION ON DEDUCTION.—Notwithstanding section 247, no deduction shall be allowed to a Native Corporation for purposes of any amounts described in subsection (a).

“(f) DEFINITIONS.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning given such terms under section 646(h).”

(2) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting before the item relating to section 140 the following new item:

“Sec. 139G. Assignments to Alaska Native Settlement Trusts.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

(b) DEDUCTION OF CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by inserting before section 248 the following new section:

“SEC. 247. CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.

“(a) IN GENERAL.—In the case of a Native Corporation, there shall be allowed a deduction for any contributions made by such Native Corporation to a Settlement Trust (regardless of whether an election under section 646 is in effect for such Settlement Trust) for which the Native Corporation has made an annual election under subsection (e).

“(b) AMOUNT OF DEDUCTION.—The amount of the deduction under subsection (a) shall be equal to—

“(1) in the case of a cash contribution (regardless of the method of payment, including currency, coins, money order, or check), the amount of such contribution, or

“(2) in the case of a contribution not described in paragraph (1), the lesser of—

“(A) the Native Corporation’s adjusted basis in the property contributed, or

“(B) the fair market value of the property contributed.

“(c) LIMITATION AND CARRYOVER.—

“(1) IN GENERAL.—Subject to paragraph (2), the deduction allowed under subsection (a) for any taxable year shall not exceed the taxable income (as determined without regard to such deduction) of the Native Corporation for the taxable year in which the contribution was made.

“(2) CARRYOVER.—If the aggregate amount of contributions described in subsection (a) for any taxable year exceeds the limitation under paragraph (1), such excess shall be treated as a contribution described in subsection (a) in each of the 15 succeeding years in order of time.

“(d) DEFINITIONS.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning given such terms under section 646(h).

“(e) MANNER OF MAKING ELECTION.—

“(1) IN GENERAL.—For each taxable year, a Native Corporation may elect to have this section apply for such taxable year on the income tax return or an amendment or supplement to the return of the Native Corporation, with such election to have effect solely for such taxable year.

“(2) REVOCATION.—Any election made by a Native Corporation pursuant to this subsection may be revoked pursuant to an amendment or supplement to the income tax return which has been timely filed by such Native Corporation.

“(f) ADDITIONAL RULES.—

“(1) EARNINGS AND PROFITS.—Notwithstanding section 646(d)(2), in the case of a Native Corporation which claims a deduction under this section for any taxable year, the earnings and profits of such Native Corporation for such taxable year shall be reduced by the amount of such deduction.

“(2) GAIN OR LOSS.—No gain or loss shall be recognized by the Native Corporation with respect to a contribution of property for which a deduction is allowed under this section.

“(3) INCOME.—Subject to subsection (g), a Settlement Trust shall include in income the amount of any deduction allowed under this section in the taxable year in which the Settlement Trust actually receives such contribution.

“(4) PERIOD.—The holding period under section 1223 of the Settlement Trust shall include the period the property was held by the Native Corporation.

“(5) BASIS.—The basis that a Settlement Trust has for which a deduction is allowed under this section shall be equal to the lesser of—

“(A) the adjusted basis of the Native Corporation in such property immediately before such contribution, or

“(B) the fair market value of the property immediately before such contribution.

“(6) PROHIBITION.—No deduction shall be allowed under this section with respect to any contributions made to a Settlement Trust which are in violation of subsection (a)(2) or (c)(2) of section 39 of the Alaska Native Claims Settlement Act (43 U.S.C. 1629e).

“(g) ELECTION BY SETTLEMENT TRUST TO DEFER INCOME RECOGNITION.—

“(1) IN GENERAL.—In the case of a contribution which consists of property other than cash, a Settlement Trust may elect to defer recognition of any income related to such property until the sale or exchange of such property, in whole or in part, by the Settlement Trust.

“(2) TREATMENT.—In the case of property described in paragraph (1), any income or gain realized on the sale or exchange of such property shall be treated as—

“(A) for such amount of the income or gain as is equal to or less than the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer’s election under this subsection, ordinary income, and

“(B) for any amounts of the income or gain which are in excess of the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer’s election under this subsection, having the same character as if this subsection did not apply.

“(3) ELECTION.—

“(A) IN GENERAL.—For each taxable year, a Settlement Trust may elect to apply this subsection for any property described in paragraph (1) which was contributed during such year. Any property to which the election applies shall be identified and described with reasonable particularity on the income tax return or an amendment or supplement to the return of the Settlement Trust, with such election to have effect solely for such taxable year.

“(B) REVOCATION.—Any election made by a Settlement Trust pursuant to this subsection may be revoked pursuant to an amended income tax return which has been timely filed by such Settlement Trust.

“(C) CERTAIN DISPOSITIONS.—

“(i) IN GENERAL.—In the case of any property for which an election is in effect under this subsection and which is disposed of within the first taxable year subsequent to the taxable year in which such property was contributed to the Settlement Trust—

“(I) this section shall be applied as if the election under this subsection had not been made,

“(II) any income or gain which would have been included in the year of contribution under subsection (f)(3) but for the taxpayer’s election under this subsection shall be included in income for the taxable year of such contribution, and

“(III) the Settlement Trust shall pay any increase in tax resulting from such inclusion, including any applicable interest, and increased by 10 percent of the amount of such increase with interest.

“(ii) ASSESSMENT.—Notwithstanding section 6501(a), any amount described in subclause (III) of clause (i) may be assessed, or a proceeding in court with respect to such amount may be initiated without assessment, within 4 years after the date on which the return making the election under this subsection for such property was filed.”

(2) CONFORMING AMENDMENT.—The table of sections for part VIII of subchapter B of chapter 1 is amended by inserting before the item relating to section 248 the following new item:

“Sec. 247. Contributions to Alaska Native Settlement Trusts.”.

(3) PERMISSIVE AMENDMENTS TO TRUST AGREEMENTS ESTABLISHING SETTLEMENT TRUSTS.—

(A) IN GENERAL.—Notwithstanding any provision of law, including any provision of the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), Alaska State law, or the terms of any trust agreement of a Settlement Trust (as defined under section 3(t) of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(t))), the terms of any trust agreement of a Settlement Trust may, within the 1-year period following the date of the enactment of this Act, be amended as necessary to allow such Trust to make an election described in subsection (g) of section 247 of the Internal Revenue Code of 1986 (as added by paragraph (1)).

(B) AMENDMENT.—An amendment described in subparagraph (A) shall be enacted pursuant to one or more agreements between the Native Corporation that established the Settlement Trust and the trustees of such Trust and shall not require any vote by the beneficiaries of such Trust or the shareholders of such Native Corporation.

(C) REGISTRATION STATEMENT.—Any Settlement Trust which was registered in accordance with Alaska State law prior to the date of the enactment of an amendment described in subparagraph (A) shall not be required to file a new or amended registration statement to reflect such amendment.

(4) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to taxable years for which the period of limitation on refund or credit under section 6511 of the Internal Revenue Code of 1986 has not expired.

(B) ONE-YEAR WAIVER OF STATUTE OF LIMITATIONS.—If the period of limitation on a credit or refund resulting from the amendments made by paragraph (1) expires before the end of the 1-year period beginning on the date of the enactment of this Act, refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefor is filed before the close of such 1-year period.

(C) INFORMATION REPORTING FOR DEDUCTIBLE CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Section 6039H is amended—

(A) in the heading, by striking “SPONSORING”, and

(B) by adding at the end the following new subsection:

“(e) DEDUCTIBLE CONTRIBUTIONS BY NATIVE CORPORATIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

“(1) IN GENERAL.—Any Native Corporation (as defined in subsection (m) of section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m))) which has made a contribution to a Settlement Trust (as defined in subsection (t) of such section) to which an election under subsection (e) of section 247 applies shall provide such Settlement Trust with a statement regarding such election not later than January 31 of the calendar year subsequent to the calendar year in which the contribution was made.

“(2) CONTENT OF STATEMENT.—The statement described in paragraph (1) shall include—

“(A) the total amount of contributions to which the election under subsection (e) of section 247 applies,

“(B) for each contribution, whether such contribution was in cash,

“(C) for each contribution which consists of property other than cash, the date that such property was acquired by the Native Corporation and the adjusted basis of such property on the date such property was contributed to the Settlement Trust,

“(D) the date on which each contribution was made to the Settlement Trust, and

“(E) such information as the Secretary determines to be necessary or appropriate for the identification of each contribution and the accurate inclusion of income relating to such contributions by the Settlement Trust.”.

(2) CONFORMING AMENDMENT.—The item relating to section 6039H in the table of sections for part A of part III of subchapter A of chapter 61 is amended to read as follows:

“Sec. 6039H. Information With Respect to Alaska Native Settlement Trusts and Native Corporations.”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

(4) STATUTORY CONSTRUCTION.—This section is remedial Indian legislation enacted under the plenary authority of the Congress under the Constitution of the United States to regulate Indian affairs, and any ambiguities in section 139F or 247 of the Internal Revenue Code of 1986, as added by this Act, shall be resolved in favor of Native Corporations attempting to exclude income or claim a deduction thereunder.

SEC. 13822. AMOUNTS PAID FOR AIRCRAFT MANAGEMENT SERVICES.

(a) IN GENERAL.—Subsection (e) of section 4261 is amended by adding at the end the following new paragraph:

“(5) AMOUNTS PAID FOR AIRCRAFT MANAGEMENT SERVICES.—

“(A) IN GENERAL.—No tax shall be imposed by this section or section 4271 on any amounts paid by an aircraft owner for aircraft management services related to—

“(i) maintenance and support of the aircraft owner’s aircraft, or

“(ii) flights on the aircraft owner’s aircraft.

“(B) AIRCRAFT MANAGEMENT SERVICES.—For purposes of subparagraph (A), the term ‘aircraft management services’ includes—

“(i) assisting an aircraft owner with administrative and support services, such as scheduling, flight planning, and weather forecasting,

“(ii) obtaining insurance,

“(iii) maintenance, storage and fueling of aircraft,

“(iv) hiring, training, and provision of pilots and crew,

“(v) establishing and complying with safety standards, and

“(vi) such other services as are necessary to support flights operated by an aircraft owner.

“(C) LESSEE TREATED AS AIRCRAFT OWNER.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘aircraft owner’ includes a person who leases the aircraft other than under a disqualified lease.

“(ii) DISQUALIFIED LEASE.—For purposes of clause (i), the term ‘disqualified lease’ means a lease from a person providing aircraft management services with respect to such aircraft (or a related person (within the meaning of section 465(b)(3)(C)) to the person providing such services), if such lease is for a term of 31 days or less.

“(D) PRO RATA ALLOCATION.—In the case of amounts paid to any person which (but for this subsection) are subject to the tax imposed by subsection (a), a portion of which consists of amounts described in subparagraph (A), this paragraph shall apply on a pro rata basis only to the portion which con-

sists of amounts described in such subparagraph.”.

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

SEC. 13823. OPPORTUNITY ZONES.

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

“Subchapter Z—Opportunity Zones

“Sec. 1400Z-1. Designation.

“Sec. 1400Z-2. Special rules for capital gains invested in opportunity zones.

“SEC. 1400Z-1. DESIGNATION.

“(a) QUALIFIED OPPORTUNITY ZONE DEFINED.—For the purposes of this subchapter, the term ‘qualified opportunity zone’ means a population census tract that is a low-income community that is designated as a qualified opportunity zone.

“(b) DESIGNATION.—

“(1) GOVERNOR.—

“(A) IN GENERAL.—For purposes of subsection (a), a population census tract that is a low-income community is designated as a qualified opportunity zone if—

“(i) not later than the end of the determination period, the governor of the State in which the tract is located—

“(I) nominates the tract for designation as a qualified opportunity zone, and

“(II) notifies the Secretary in writing of such nomination, and

“(ii) the Secretary certifies such nomination and designates such tract as a qualified opportunity zone before the end of the consideration period.

“(B) EXTENSION OF PERIODS.—A governor may request that the Secretary extend either the determination or consideration period, or both (determined without regard to this subparagraph), for an additional 30 days.

“(C) DEEMED DESIGNATION IF SECRETARY FAILS TO ACT.—Unless the tracts are ineligible for designation, if the Secretary declines in writing to make such certification and designation or fails to act before the end of the consideration period, such nomination shall be deemed to be certified and designated, effective on the day after the last day of the consideration period.

“(2) SECRETARY.—If a governor fails to make the nominations and notifications by the end of the periods referred to in paragraphs (1)(A) and (1)(B), the Secretary shall designate and certify population census tracts that are low-income communities as qualified opportunity zones, as permitted by subsection (e).

“(c) OTHER DEFINITIONS.—For purposes of this subsection—

“(1) LOW-INCOME COMMUNITIES.—The term ‘low-income community’ has the same meaning as when used in section 45D(e).

“(2) DEFINITION OF PERIODS.—

“(A) CONSIDERATION PERIOD.—The term ‘consideration period’ means the 30-day period beginning on the date on which the Secretary receives notice under subsection (b)(1)(A)(i)(II), as extended under subsection (b)(1)(B).

“(B) DETERMINATION PERIOD.—The term ‘determination period’ means the 90-day period beginning on the date of the enactment of the Tax Cuts and Jobs Act, as extended under subsection (b)(1)(B).

“(3) STATE.—For purposes of this section, the term ‘State’ includes any possession of the United States.

“(d) GUIDANCE FOR OPPORTUNITY ZONE NOMINATIONS.—When considering the nomination of qualified opportunity zones, governors should strive for the creation of qualified opportunity zones that are geographically concentrated and contiguous clusters of population census tracts and should give particular consideration to areas that—

“(1) are currently the focus of mutually reinforcing State, local, or private economic development initiatives to attract investment and foster startup activity,

“(2) have demonstrated success in geographically targeted development programs, such as promise zones, new market tax credit, empowerment zones, and renewal communities, and

“(3) have recently experienced significant layoffs due to business closures or relocations.

“(e) NUMBER OF DESIGNATIONS.—

“(1) IN GENERAL.—Except as provided by paragraph (2), the number of population census tracts in a State that may be designated as qualified opportunity zones under this section may not exceed 25 percent of the number of low-income communities in the State.

“(2) EXCEPTION.—If the number of low-income communities in a State is less than 100, then a total of 25 of such tracts may be designated as qualified opportunity zones.

“(f) DESIGNATION OF TRACTS CONTIGUOUS WITH LOW-INCOME COMMUNITIES.—

“(1) IN GENERAL.—A population census tract that is not a low-income community may be designated as a qualified opportunity zone under this section if—

“(A) the tract is contiguous with the low-income community that is designated as a qualified opportunity zone, and

“(B) the median family income of the tract does not exceed 125 percent of the median family income of the low-income community with which the tract is contiguous.

“(2) LIMITATION.—Not more than 5 percent of the population census tracts designated in a State as a qualified opportunity zone may be designated under paragraph (1).

“(g) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—A designation as a qualified opportunity zone shall remain in effect for the period beginning on the date of the designation and ending at the close of the 10th calendar year beginning on or after such date of designation.

“SEC. 1400Z-2. SPECIAL RULES FOR CAPITAL GAINS INVESTED IN OPPORTUNITY ZONES.

“(a) IN GENERAL.—In the case of gain from the sale to, or exchange with, an unrelated person of any property held by the taxpayer, at the election of the taxpayer—

“(1) gross income for the taxable year shall not include so much of such gain as does not exceed the aggregate amount invested by the taxpayer in a qualified opportunity fund during the 180-day period beginning on the date of such sale or exchange,

“(2) the amount of gain excluded by paragraph (1) shall be included in gross income as provided by subsection (b), and

“(3) subsection (c) shall apply.

No election may be made under the preceding sentence with respect to a sale or exchange if an election previously made with respect to such sale or exchange is in effect.

“(b) DEFERRAL OF GAIN INVESTED IN OPPORTUNITY ZONE PROPERTY.—

“(1) YEAR OF INCLUSION.—Gain to which subsection (a)(2) applies shall be included in income in the taxable year which includes the earlier of—

“(A) the date on which such investment is sold or exchanged, or

“(B) December 31, 2026.

“(2) AMOUNT INCLUDIBLE.—

“(A) IN GENERAL.—The amount of gain included in gross income under subsection (a)(1) shall be the excess of—

“(i) the lesser of the amount of gain excluded under paragraph (1) or the fair market value of the property as of the determined as of the date described in paragraph (1), over

“(ii) the taxpayer's basis in the investment.

“(B) DETERMINATION OF BASIS.—

“(1) IN GENERAL.—Except as otherwise provided in this clause or subsection (c), the taxpayer's basis in the investment shall be zero.

“(ii) INCREASE FOR GAIN RECOGNIZED UNDER SUBSECTION (a)(2).—The basis in the investment shall be increased by the amount of gain recognized by reason of subsection (a)(2) with respect to such property.

“(iii) INVESTMENTS HELD FOR 5 YEARS.—In the case of any investment held for at least 5 years, the basis of such investment shall be increased by an amount equal to 10 percent of the amount of gain deferred by reason of subsection (a)(1).

“(iv) INVESTMENTS HELD FOR 7 YEARS.—In the case of any investment held by the taxpayer for at least 7 years, in addition to any adjustment made under clause (iii), the basis of such property shall be increased by an amount equal to 5 percent of the amount of gain deferred by reason of subsection (a)(1).

“(c) SPECIAL RULE FOR INVESTMENTS HELD FOR AT LEAST 10 YEARS.—In the case of any investment held by the taxpayer for at least 10 years and with respect to which the taxpayer makes an election under this clause, the basis of such property shall be equal to the fair market value of such investment on the date that the investment is sold or exchanged.

“(d) QUALIFIED OPPORTUNITY FUND.—For purposes of this section—

“(1) QUALIFIED OPPORTUNITY FUND.—The term ‘qualified opportunity fund’ means any investment vehicle which is 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, determined—

“(A) on the last day of the first 6-month period of the taxable year of the fund, and

“(B) on the last day of the taxable year of the fund.

“(2) QUALIFIED OPPORTUNITY ZONE PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified opportunity zone property’ means property which is—

“(i) qualified opportunity zone stock,

“(ii) qualified opportunity zone partnership interest, or

“(iii) qualified opportunity zone business property.

“(B) QUALIFIED OPPORTUNITY ZONE STOCK.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘qualified opportunity zone stock’ means any stock in a domestic corporation if—

“(I) such stock is acquired by the taxpayer after December 31, 2017, at its original issue (directly or through an underwriter) from the corporation solely in exchange for cash,

“(II) as of the time such stock was issued, such corporation was a qualified opportunity zone business (or, in the case of a new corporation, such corporation was being organized for purposes of being a qualified opportunity zone business), and

“(III) during substantially all of the taxpayer's holding period for such stock, such corporation qualified as a qualified opportunity zone business.

“(ii) REDEMPTIONS.—A rule similar to the rule of section 1202(c)(3) shall apply for purposes of this paragraph.

“(C) QUALIFIED OPPORTUNITY ZONE PARTNERSHIP INTEREST.—The term ‘qualified opportunity zone partnership interest’ means any capital or profits interest in a domestic partnership if—

“(i) such interest is acquired by the taxpayer after December 31, 2017, from the partnership solely in exchange for cash,

“(ii) as of the time such interest was acquired, such partnership was a qualified opportunity zone business (or, in the case of a new partnership, such partnership was being organized for purposes of being a qualified opportunity zone business), and

“(iii) during substantially all of the taxpayer's holding period for such interest, such partnership qualified as a qualified opportunity zone business.

“(D) QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

“(i) IN GENERAL.—The term ‘qualified opportunity zone business property’ means tangible property used in a trade or business of the taxpayer if—

“(I) such property was acquired by the taxpayer by purchase (as defined in section 179(d)(2)) after December 31, 2017,

“(II) the original use of such property in the qualified opportunity zone commences with the taxpayer or the taxpayer substantially improves the property, and

“(III) during substantially all of the taxpayer's holding period for such property, substantially all of the use of such property was in a qualified opportunity zone.

“(ii) SUBSTANTIAL IMPROVEMENT.—For purposes of subparagraph (A)(ii), property shall be treated as substantially improved by the taxpayer only if, during any 30-month period beginning after the date of acquisition of such property, additions to basis with respect to such property in the hands of the taxpayer exceed an amount equal to the adjusted basis of such property at the beginning of such 30-month period in the hands of the taxpayer.

“(iii) RELATED PARTY.—For purposes of subparagraph (A)(i), the related person rule of section 179(d)(2) shall be applied pursuant to paragraph (8) of this subsection in lieu of the application of such rule in section 179(d)(2)(A).

“(3) QUALIFIED OPPORTUNITY ZONE BUSINESS.—

“(A) IN GENERAL.—The term ‘qualified opportunity zone business’ means a trade or business—

“(i) in which substantially all of the tangible property owned or leased by the taxpayer is qualified opportunity zone business property,

“(ii) which satisfies the requirements of paragraphs (2), (4), and (8) of section 1397C(b), and

“(iii) which is not described in section 144(c)(6)(B).

“(B) SPECIAL RULE.—For purposes of subparagraph (A), tangible property that ceases to be a qualified opportunity zone business property shall continue to be treated as a qualified opportunity zone business property for the lesser of—

“(i) 5 years after the date on which such tangible property ceases to be so qualified, or

“(ii) the date on which such tangible property is no longer held by the qualified opportunity zone business.

“(e) APPLICABLE RULES.—

“(1) TREATMENT OF INVESTMENTS WITH MIXED FUNDS.—In the case of any investment in a qualified opportunity fund only a portion of which consists of investments of gain to which an election under subsection (a)(1) is in effect—

“(A) such investment shall be treated as 2 separate investments, consisting of—

“(i) one investment that only includes amounts to which the election under subsection (a)(1) applies, and

“(ii) a separate investment consisting of other amounts, and

“(B) subsections (a), (b), and (c) shall only apply to the investment described in subparagraph (A)(i).

“(2) RELATED PERSONS.—For purposes of this section, persons are related to each other if such persons are described in section 267(b) or 707(b)(1), determined by substituting ‘20 percent’ for ‘50 percent’ each place it occurs in such sections.

“(3) DECEDENTS.—In the case of a decedent, amounts recognized under this section shall, if not properly includible in the gross income of the decedent, be includible in gross income as provided by section 691.

“(4) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including—

“(A) rules for the certification of qualified opportunity funds for the purposes of this section, and

“(B) rules to prevent abuse.

“(f) FAILURE OF QUALIFIED OPPORTUNITY FUND TO MAINTAIN INVESTMENT STANDARD.—

“(1) IN GENERAL.—If a qualified opportunity fund fails to meet the 90-percent requirement of subsection (c)(1), the qualified opportunity fund shall pay a penalty for each month it fails to meet the requirement in an amount equal to the product of—

“(A) the excess of—

“(i) the amount equal to 90 percent of its aggregate assets, over

“(ii) the aggregate amount of qualified opportunity zone property held by the fund, multiplied by

“(B) the underpayment rate established under section 6621(a)(2) for such month.

“(2) SPECIAL RULE FOR PARTNERSHIPS.—In the case that the qualified opportunity fund is a partnership, the penalty imposed by paragraph (1) shall be taken into account proportionately as part of the distributive share of each partner of the partnership.

“(3) REASONABLE CAUSE EXCEPTION.—No penalty shall be imposed under this subsection with respect to any failure if it is shown that such failure is due to reasonable cause.”

(b) BASIS ADJUSTMENTS.—Section 1016(a) is amended by striking “and” at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting “, and”, and by inserting after paragraph (37) the following:

“(38) to the extent provided in subsections (b)(2) and (c) of section 1400Z-2.”

(c) REPORT TO CONGRESS.—The Secretary of the Treasury, or the Secretary’s delegate, shall submit a report to Congress on the opportunity zone incentives enacted by this section beginning 5 years after the date of enactment of this Act and annually thereafter. The report shall include an assessment of investments held by qualified opportunity funds nationally and at the State level. To the extent such information is available, the report shall include the number of qualified opportunity funds, the amount of assets held in qualified opportunity funds, the composition of qualified opportunity fund investments by asset class, the percentage of qualified opportunity zone census tracts designated under subchapter Z of the Internal Revenue Code of 1986 (as added by this section) that have received qualified opportunity fund investments. The report shall also include an assessment of the impacts and outcomes of the investments in those areas on economic indicators including job creation, poverty reduction, and new business starts, and other metrics as determined by the Secretary.

(d) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“SUBCHAPTER Z. OPPORTUNITY ZONES”.

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

Subtitle D—International Tax Provisions

PART I—OUTBOUND TRANSACTIONS

Subpart A—Establishment of Participation Exemption System for Taxation of Foreign Income

SEC. 14101. DEDUCTION FOR FOREIGN-SOURCE PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by inserting after section 245 the following new section:

“SEC. 245A. DEDUCTION FOR FOREIGN SOURCE-PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

“(a) IN GENERAL.—In the case of any dividend received from a specified 10-percent owned foreign corporation by a domestic corporation which is a United States shareholder with respect to such foreign corporation, there shall be allowed as a deduction an amount equal to the foreign-source portion of such dividend.

“(b) SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘specified 10-percent owned foreign corporation’ means any foreign corporation with respect to which any domestic corporation is a United States shareholder with respect to such corporation.

“(2) EXCLUSION OF PASSIVE FOREIGN INVESTMENT COMPANIES.—Such term shall not include any corporation which is a passive foreign investment company (as defined in section 1297) with respect to the shareholder and which is not a controlled foreign corporation.

“(c) FOREIGN-SOURCE PORTION.—For purposes of this section—

“(1) IN GENERAL.—The foreign-source portion of any dividend from a specified 10-percent owned foreign corporation is an amount which bears the same ratio to such dividend as—

“(A) the undistributed foreign earnings of the specified 10-percent owned foreign corporation, bears to

“(B) the total undistributed earnings of such foreign corporation.

“(2) UNDISTRIBUTED EARNINGS.—The term ‘undistributed earnings’ means the amount of the earnings and profits of the specified 10-percent owned foreign corporation (computed in accordance with sections 964(a) and 986)—

“(A) as of the close of the taxable year of the specified 10-percent owned foreign corporation in which the dividend is distributed, and

“(B) without diminution by reason of dividends distributed during such taxable year.

“(3) UNDISTRIBUTED FOREIGN EARNINGS.—The term ‘undistributed foreign earnings’ means the portion of the undistributed earnings which is attributable to neither—

“(A) income described in subparagraph (A) of section 245(a)(5), nor

“(B) dividends described in subparagraph (B) of such section (determined without regard to section 245(a)(12)).

“(d) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

“(1) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any distribution any portion of which constitutes a dividend for which a deduction is allowed under this section.

“(2) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).

“(e) SPECIAL RULES FOR HYBRID DIVIDENDS.—

“(1) IN GENERAL.—Subsection (a) shall not apply to any dividend received by a United States shareholder from a controlled foreign corporation if the dividend is a hybrid dividend.

“(2) HYBRID DIVIDENDS OF TIERED CORPORATIONS.—If a controlled foreign corporation with respect to which a domestic corporation is a United States shareholder receives a hybrid dividend from any other controlled foreign corporation with respect to which such domestic corporation is also a United States shareholder, then, notwithstanding any other provision of this title—

“(A) the hybrid dividend shall be treated for purposes of section 951(a)(1)(A) as subpart F income of the receiving controlled foreign corporation for the taxable year of the controlled foreign corporation in which the dividend was received, and

“(B) the United States shareholder shall include in gross income an amount equal to the shareholder’s pro rata share (determined in the same manner as under section 951(a)(2)) of the subpart F income described in subparagraph (A).

“(3) DENIAL OF FOREIGN TAX CREDIT, ETC.—The rules of subsection (d) shall apply to any hybrid dividend received by, or any amount included under paragraph (2) in the gross income of, a United States shareholder.

“(4) HYBRID DIVIDEND.—The term ‘hybrid dividend’ means an amount received from a controlled foreign corporation—

“(A) for which a deduction would be allowed under subsection (a) but for this subsection, and

“(B) for which the controlled foreign corporation received a deduction (or other tax benefit) from taxes imposed by any foreign country.

“(f) SPECIAL RULE FOR PURGING DISTRIBUTIONS OF PASSIVE FOREIGN INVESTMENT COMPANIES.—Any amount which is treated as a dividend under section 1291(d)(2)(B) shall not be treated as a dividend for purposes of this section.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations for the treatment of United States shareholders owning stock of a specified 10 percent owned foreign corporation through a partnership.”

(b) APPLICATION OF HOLDING PERIOD REQUIREMENT.—Subsection (c) of section 246 is amended—

(1) by striking “or 245” in paragraph (1) and inserting “245, or 245A”, and

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

“(5) SPECIAL RULES FOR FOREIGN SOURCE PORTION OF DIVIDENDS RECEIVED FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—

“(A) 1-YEAR HOLDING PERIOD REQUIREMENT.—For purposes of section 245A—

“(i) paragraph (1)(A) shall be applied—

“(I) by substituting ‘365 days’ for ‘45 days’ each place it appears, and

“(II) by substituting ‘731-day period’ for ‘91-day period’, and

“(ii) paragraph (2) shall not apply.

“(B) STATUS MUST BE MAINTAINED DURING HOLDING PERIOD.—For purposes of applying paragraph (1) with respect to section 245A, the taxpayer shall be treated as holding the stock referred to in paragraph (1) for any period only if—

“(i) the specified 10-percent owned foreign corporation referred to in section 245A(a) is a specified 10-percent owned foreign corporation at all times during such period, and

“(ii) the taxpayer is a United States shareholder with respect to such specified 10-percent owned foreign corporation at all times during such period.”.

(c) APPLICATION OF RULES GENERALLY APPLICABLE TO DEDUCTIONS FOR DIVIDENDS RECEIVED.—

(1) TREATMENT OF DIVIDENDS FROM CERTAIN CORPORATIONS.—Paragraph (1) of section 246(a) is amended by striking “and 245” and inserting “245, and 245A”.

(2) ASSETS GENERATING TAX-EXEMPT PORTION OF DIVIDEND NOT TAKEN INTO ACCOUNT IN ALLOCATING AND APPORTIONING DEDUCTIBLE EXPENSES.—Paragraph (3) of section 864(e) is amended by striking “or 245(a)” and inserting “, 245(a), or 245A”.

(3) COORDINATION WITH SECTION 1059.—Subparagraph (B) of section 1059(b)(2) is amended by striking “or 245” and inserting “245, or 245A”.

(d) COORDINATION WITH FOREIGN TAX CREDIT LIMITATION.—Subsection (b) of section 904 is amended by adding at the end the following new paragraph:

“(5) TREATMENT OF DIVIDENDS FOR WHICH DEDUCTION IS ALLOWED UNDER SECTION 245A.—For purposes of subsection (a), in the case of a domestic corporation which is a United States shareholder with respect to a specified 10-percent owned foreign corporation, such domestic corporation’s taxable income from sources without the United States shall be determined without regard to—

“(A) the foreign-source portion of any dividend received from such foreign corporation, and

“(B) any deductions properly allocable to such portion.

Any term which is used in section 245A and in this paragraph shall have the same meaning for purposes of this paragraph as when used in such section.”.

(e) CONFORMING AMENDMENTS.—

(1) Subsection (b) of section 951 is amended by striking “subpart” and inserting “title”.

(2) Subsection (a) of section 957 is amended by striking “subpart” in the matter preceding paragraph (1) and inserting “title”.

(3) The table of sections for part VIII of subchapter B of chapter 1 is amended by inserting after the item relating to section 245 the following new item:

“Sec. 245A. Dividends received by domestic corporations from certain foreign corporations.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14102. SPECIAL RULES RELATING TO SALES OR TRANSFERS INVOLVING SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

(a) SALES BY UNITED STATES PERSONS OF STOCK.—Section 1248 is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

“(j) COORDINATION WITH DIVIDENDS RECEIVED DEDUCTION.—In the case of the sale or exchange by a domestic corporation of stock in a foreign corporation held for 1 year or more, any amount received by the domestic corporation which is treated as a dividend by reason of this section shall be treated as a dividend for purposes of applying section 245A.”.

(b) BASIS IN SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION REDUCED BY NONTAXED PORTION OF DIVIDEND FOR PURPOSES OF DETERMINING LOSS.—

(1) IN GENERAL.—Section 961 is amended by adding at the end the following new subsection:

“(d) BASIS IN SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION REDUCED BY NONTAXED PORTION OF DIVIDEND FOR PURPOSES OF DETERMINING LOSS.—If a domestic corporation receives a dividend from a specified 10-percent owned foreign corporation (as defined in section 245A) in any taxable year, solely for purposes of determining loss on any disposition of stock of such foreign corporation in such taxable year or any subsequent taxable year, the basis of such domestic corporation in such stock shall be reduced (but not below zero) by the amount of any deduction allowable to such domestic corporation under section 245A with respect to such stock.”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to dividends received in taxable years beginning after December 31, 2017.

(c) SALE BY A CFC OF A LOWER TIER CFC.—Section 964(e) is amended by adding at the end the following new paragraph:

“(4) COORDINATION WITH DIVIDENDS RECEIVED DEDUCTION.—

“(A) IN GENERAL.—If, for any taxable year of a controlled foreign corporation beginning after December 31, 2017, any amount is treated as a dividend under paragraph (1) by reason of a sale or exchange by the controlled foreign corporation of stock in another foreign corporation held for 1 year or more, then, notwithstanding any other provision of this title—

“(i) the foreign-source portion of such dividend shall be treated for purposes of section 951(a)(1)(A) as subpart F income of the selling controlled foreign corporation for such taxable year,

“(ii) a United States shareholder with respect to the selling controlled foreign corporation shall include in gross income for the taxable year of the shareholder with or within which such taxable year of the controlled foreign corporation ends an amount equal to the shareholder’s pro rata share (determined in the same manner as under section 951(a)(2)) of the amount treated as subpart F income under clause (i), and

“(iii) the deduction under section 245A(a) shall be allowable to the United States shareholder with respect to the subpart F income included in gross income under clause (ii) in the same manner as if such subpart F income were a dividend received by the shareholder from the selling controlled foreign corporation.

“(B) EFFECT OF LOSS ON EARNINGS AND PROFITS.—For purposes of this title, in the case of a sale or exchange by a controlled foreign corporation of stock in another foreign corporation in a taxable year of the selling controlled foreign corporation beginning after December 31, 2017, to which this paragraph would apply if gain were recognized, the earnings and profits of the selling controlled foreign corporation shall not be reduced by reason of any loss from such sale or exchange.

“(C) FOREIGN-SOURCE PORTION.—For purposes of this paragraph, the foreign-source portion of any amount treated as a dividend under paragraph (1) shall be determined in the same manner as under section 245A(c).”.

(d) TREATMENT OF FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—

(1) IN GENERAL.—Part II of subchapter B of chapter 1 is amended by adding at the end the following new section:

“SEC. 91. CERTAIN FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

“(a) IN GENERAL.—If a domestic corporation transfers substantially all of the assets of a foreign branch (within the meaning of section 367(a)(3)(C), as in effect before the date of the enactment of the Tax Cuts and

Jobs Act) to a specified 10-percent owned foreign corporation (as defined in section 245A) with respect to which it is a United States shareholder after such transfer, such domestic corporation shall include in gross income for the taxable year which includes such transfer an amount equal to the transferred loss amount with respect to such transfer.

“(b) LIMITATION AND CARRYFORWARD BASED ON FOREIGN-SOURCE DIVIDENDS RECEIVED.—

“(1) IN GENERAL.—The amount included in the gross income of the taxpayer under subsection (a) for any taxable year shall not exceed the amount allowed as a deduction under section 245A for such taxable year (taking into account dividends received from all specified 10-percent owned foreign corporations with respect to which the taxpayer is a United States shareholder).

“(2) AMOUNTS NOT INCLUDED CARRIED FORWARD.—Any amount not included in gross income for any taxable year by reason of paragraph (1) shall, subject to the application of paragraph (1) to the succeeding taxable year, be included in gross income for the succeeding taxable year.

“(c) TRANSFERRED LOSS AMOUNT.—For purposes of this section, the term ‘transferred loss amount’ means, with respect to any transfer of substantially all of the assets of a foreign branch, the excess (if any) of—

“(1) the sum of losses—

“(A) which were incurred by the foreign branch after December 31, 2017, and before the transfer, and

“(B) with respect to which a deduction was allowed to the taxpayer, over

“(2) the sum of—

“(A) any taxable income of such branch for a taxable year after the taxable year in which the loss was incurred and through the close of the taxable year of the transfer, and

“(B) any amount which is recognized under section 904(f)(3) on account of the transfer.

“(d) REDUCTION FOR RECOGNIZED GAINS.—The transferred loss amount shall be reduced (but not below zero) by the amount of gain recognized by the taxpayer on account of the transfer (other than amounts taken into account under subsection (c)(2)(B)).

“(e) SOURCE OF INCOME.—Amounts included in gross income under this section shall be treated as derived from sources within the United States.

“(f) BASIS ADJUSTMENTS.—Consistent with such regulations or other guidance as the Secretary shall prescribe, proper adjustments shall be made in the adjusted basis of the taxpayer’s stock in the specified 10-percent owned foreign corporation to which the transfer is made, and in the transferee’s adjusted basis in the property transferred, to reflect amounts included in gross income under this section.”.

(2) CLERICAL AMENDMENT.—The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end the following new item:

“Sec. 91. Certain foreign branch losses transferred to specified 10-percent owned foreign corporations.”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transfers after December 31, 2017.

(e) REPEAL OF ACTIVE TRADE OR BUSINESS EXCEPTION UNDER SECTION 367.—

(1) IN GENERAL.—Section 367(a) is amended by striking paragraph (3) and redesignating paragraphs (4), (5), and (6) as paragraphs (3), (4), and (5), respectively

(2) CONFORMING AMENDMENTS.—Section 367(a)(4), as redesignated by paragraph (1), is amended—

(A) by striking “Paragraphs (2) and (3)” and inserting “Paragraph (2)”, and

(B) by striking “PARAGRAPHS (2) AND (3)” in the heading and inserting “PARAGRAPH (2)”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transfers after December 31, 2017.

SEC. 14103. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION.

(a) IN GENERAL.—Section 965 is amended to read as follows:

“SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION.

“(a) TREATMENT OF DEFERRED FOREIGN INCOME AS SUBPART F INCOME.—In the case of the last taxable year of a deferred income corporation which begins before January 1, 2018, the subpart F income of such foreign corporation (as otherwise determined for such taxable year under section 952) shall be increased by the greater of—

“(1) the accumulated post-1986 deferred foreign income of such corporation determined as of November 9, 2017, or

“(2) the accumulated post-1986 deferred foreign income of such corporation determined as of December 31, 2017.

“(b) REDUCTION IN AMOUNTS INCLUDED IN GROSS INCOME OF UNITED STATES SHAREHOLDERS OF SPECIFIED FOREIGN CORPORATIONS WITH DEFICITS IN EARNINGS AND PROFITS.—

“(1) IN GENERAL.—In the case of a taxpayer which is a United States shareholder with respect to at least one deferred foreign income corporation and at least one E&P deficit foreign corporation, the amount which would (but for this subsection) be taken into account under section 951(a)(1) by reason of subsection (a) as such United States shareholder's pro rata share of the subpart F income of each deferred foreign income corporation shall be reduced by the amount of such United States shareholder's aggregate foreign E&P deficit which is allocated under paragraph (2) to such deferred foreign income corporation.

“(2) ALLOCATION OF AGGREGATE FOREIGN E&P DEFICIT.—The aggregate foreign E&P deficit of any United States shareholder shall be allocated among the deferred foreign income corporations of such United States shareholder in an amount which bears the same proportion to such aggregate as—

“(A) such United States shareholder's pro rata share of the accumulated post-1986 deferred foreign income of each such deferred foreign income corporation, bears to

“(B) the aggregate of such United States shareholder's pro rata share of the accumulated post-1986 deferred foreign income of all deferred foreign income corporations of such United States shareholder.

“(3) DEFINITIONS RELATED TO E&P DEFICITS.—For purposes of this subsection—

“(A) AGGREGATE FOREIGN E&P DEFICIT.—

“(i) IN GENERAL.—The term ‘aggregate foreign E&P deficit’ means, with respect to any United States shareholder, the lesser of—

“(I) the aggregate of such shareholder's pro rata shares of the specified E&P deficits of the E&P deficit foreign corporations of such shareholder, or

“(II) the amount determined under paragraph (2)(B).

“(ii) ALLOCATION OF DEFICIT.—If the amount described in clause (i)(II) is less than the amount described in clause (i)(I), then the shareholder shall designate, in such form and manner as the Secretary determines—

“(I) the amount of the specified E&P deficit which is to be taken into account for each E&P deficit corporation with respect to the taxpayer, and

“(II) in the case of an E&P deficit corporation which has a qualified deficit (as defined in section 952), the portion (if any) of the deficit taken into account under subclause (I)

which is attributable to a qualified deficit, including the qualified activities to which such portion is attributable.

“(B) E&P DEFICIT FOREIGN CORPORATION.—The term ‘E&P deficit foreign corporation’ means, with respect to any taxpayer, any specified foreign corporation with respect to which such taxpayer is a United States shareholder, if—

“(i) such specified foreign corporation has a deficit in post-1986 earnings and profits, and

“(ii) as of November 9, 2017—

“(I) such corporation was a specified foreign corporation, and

“(II) such taxpayer was a United States shareholder of such corporation.

“(C) SPECIFIED E&P DEFICIT.—The term ‘specified E&P deficit’ means, with respect to any E&P deficit foreign corporation, the amount of the deficit referred to in subparagraph (B).

“(4) TREATMENT OF EARNINGS AND PROFITS IN FUTURE YEARS.—

“(A) REDUCED EARNINGS AND PROFITS TREATED AS PREVIOUSLY TAXED INCOME WHEN DISTRIBUTED.—For purposes of applying section 959 in any taxable year beginning after December 31, 2017, with respect to any United States shareholder of a deferred foreign income corporation, an amount equal to such shareholder's reduction under paragraph (1) which is allocated to such deferred foreign income corporation under this subsection shall be treated as an amount which was included in the gross income of such United States shareholder under section 951(a).

“(B) E&P DEFICITS.—For purposes of this title, a United States shareholder's pro rata share of the earnings and profits of any specified E&P deficit foreign corporation under this subsection shall be increased by the amount of the specified E&P deficit of such corporation taken into account by such shareholder under paragraph (1), and, for purposes of section 952, such increase shall be attributable to the same activity to which the deficit so taken into account was attributable.

“(C) APPLICATION OF PARTICIPATION EXEMPTION TO INCLUDED INCOME.—

“(1) IN GENERAL.—In the case of a United States shareholder of a deferred foreign income corporation, there shall be allowed as a deduction for the taxable year in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section an amount equal to the sum of—

“(A) 85.7 percent of the excess (if any) of—

“(i) the amount so included as gross income, over

“(ii) the amount of such United States shareholder's aggregate foreign cash position, plus

“(B) 71.4 percent of so much of the amount described in subparagraph (A)(i) as does not exceed the amount described in subparagraph (A)(i).

“(2) AGGREGATE FOREIGN CASH POSITION.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘aggregate foreign cash position’ means, with respect to any United States shareholder, the greater of—

“(i) the aggregate of such United States shareholder's pro rata share of the cash position of each specified foreign corporation of such United States shareholder determined as of the close of the last taxable year of such specified foreign corporation which begins before January 1, 2018, or

“(ii) one half of the sum of—

“(I) the aggregate described in clause (i) determined as of the close of the last taxable year of each such specified foreign corporation which ends before November 9, 2017, plus

“(II) the aggregate described in clause (i) determined as of the close of the taxable year of each such specified foreign corporation which precedes the taxable year referred to in subclause (I).

“(B) CASH POSITION.—For purposes of this paragraph, the cash position of any specified foreign corporation is the sum of—

“(i) cash and foreign currency held by such foreign corporation,

“(ii) the net accounts receivable of such foreign corporation, plus

“(iii) the fair market value of the following assets held by such corporation:

“(I) Personal property which is of a type that is actively traded and for which there is an established financial market (other than stock in the specified foreign corporation).

“(II) Commercial paper, certificates of deposit, the securities of the Federal government and of any State or foreign government.

“(III) Any obligation with a term of less than one year.

“(IV) Any asset which the Secretary identifies as being economically equivalent to any asset described in this subparagraph.

“(C) NET ACCOUNTS RECEIVABLE.—For purposes of this paragraph, the term ‘net accounts receivable’ means, with respect to any specified foreign corporation, the excess (if any) of—

“(i) such corporation's accounts receivable, over

“(ii) such corporation's accounts payable (determined consistent with the rules of section 461).

“(D) PREVENTION OF DOUBLE COUNTING.—Cash positions of a specified foreign corporation described in clause (i) or (ii)(III) of subparagraph (B) shall not be taken into account by a United States shareholder under subparagraph (A) to the extent that such United States shareholder demonstrates to the satisfaction of the Secretary that such amount is so taken into account by such United States shareholder with respect to another specified foreign corporation.

“(E) CASH POSITIONS OF CERTAIN NON-CORPORATE ENTITIES TAKEN INTO ACCOUNT.—An entity shall be treated as a specified foreign corporation of a United States shareholder for purposes of determining such United States shareholder's aggregate foreign cash position if—

“(i) such entity is a foreign entity which would be a specified foreign corporation of such United States shareholder if such entity were a corporation, or

“(ii) any interest in such entity is held by a specified foreign corporation of such United States shareholder (determined after application of clause (i)) and such entity would be a specified foreign corporation of such United States shareholder if such entity were a foreign corporation.

“(F) ANTI-ABUSE.—If the Secretary determines that a principal purpose of any transaction was to reduce the aggregate foreign cash position taken into account under this subsection, such transaction shall be disregarded for purposes of this subsection.

“(d) DEFERRED FOREIGN INCOME CORPORATION; ACCUMULATED POST-1986 DEFERRED FOREIGN INCOME.—For purposes of this section—

“(1) DEFERRED FOREIGN INCOME CORPORATION.—The term ‘deferred foreign income corporation’ means, with respect to any United States shareholder, any specified foreign corporation of such United States shareholder which has accumulated post-1986 deferred foreign income (as of the close of the taxable year referred to in subsection (a)) greater than zero.

“(2) ACCUMULATED POST-1986 DEFERRED FOREIGN INCOME.—The term ‘accumulated post-1986 deferred foreign income’ means the post-

1986 earnings and profits except to the extent such earnings—

“(A) are attributable to income of the specified foreign corporation which is effectively connected with the conduct of a trade or business within the United States and subject to tax under this chapter, or

“(B) in the case of a controlled foreign corporation, if distributed, would be excluded from the gross income of a United States shareholder under section 959.

To the extent provided in regulations or other guidance prescribed by the Secretary, in the case of any controlled foreign corporation which has shareholders which are not United States shareholders, accumulated post-1986 deferred foreign income shall be appropriately reduced by amounts which would be described in subparagraph (B) if such shareholders were United States shareholders.

“(3) POST-1986 EARNINGS AND PROFITS.—The term ‘post-1986 earnings and profits’ means the earnings and profits of the foreign corporation (computed in accordance with sections 964(a) and 986, and by only taking into account periods when the foreign corporation was a specified foreign corporation) accumulated in taxable years beginning after December 31, 1986, and determined—

“(A) as of the date of the taxable year referred to in paragraph (1) or (2) of subsection (a), whichever is applicable with respect to such foreign corporation, and

“(B) without diminution by reason of dividends distributed during the taxable year ending with or including such date.

“(e) SPECIFIED FOREIGN CORPORATION.—

“(1) IN GENERAL.—For purposes of this section, the term ‘specified foreign corporation’ means—

“(A) any controlled foreign corporation, and

“(B) any section 902 corporation (as defined in section 909(d)(5) as in effect before the date of the enactment of the Tax Cuts and Jobs Act).

“(2) APPLICATION TO SECTION 902 CORPORATIONS.—For purposes of sections 951 and 961, a section 902 corporation (as so defined) shall be treated as a controlled foreign corporation solely for purposes of taking into account the subpart F income of such corporation under subsection (a) (and for purposes of applying subsection (e)).

“(3) EXCLUSION OF PASSIVE FOREIGN INVESTMENT COMPANIES.—Such term shall not include any corporation which is a passive foreign investment company (as defined in section 1297) with respect to the shareholder and which is not a controlled foreign corporation.

“(f) DETERMINATIONS OF PRO RATA SHARE.—For purposes of this section, the determination of any United States shareholder’s pro rata share of any amount with respect to any specified foreign corporation shall be determined under rules similar to the rules of section 951(a)(2) by treating such amount in the same manner as subpart F income (and by treating such specified foreign corporation as a controlled foreign corporation).

“(g) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

“(1) IN GENERAL.—No credit shall be allowed under section 901 for the applicable percentage of any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under this section.

“(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means the amount (expressed as a percentage) equal to the sum of—

“(A) 0.857 multiplied by the ratio of—

“(i) the excess to which subsection (c)(1)(A) applies, divided by

“(ii) the sum of such excess plus the amount to which subsection (c)(1)(B) applies, plus

“(B) 0.714 multiplied by the ratio of—

“(i) the amount to which subsection (c)(1)(B) applies, divided by

“(ii) the sum described in subparagraph (A)(i).

“(3) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).

“(4) COORDINATION WITH SECTION 78.—Section 78 shall not apply to any tax for which credit is not allowable under section 901 by reason of paragraph (1).

“(h) ELECTION TO PAY LIABILITY IN INSTALLMENTS.—

“(1) IN GENERAL.—In the case of a United States shareholder of a deferred foreign income corporation, such United States shareholder may elect to pay the net tax liability under this section in 8 installments of the following amounts:

“(A) 8 percent of the net tax liability in the case of each of the first 5 of such installments,

“(B) 15 percent of the net tax liability in the case of the 6th such installment,

“(C) 20 percent of the net tax liability in the case of the 7th such installment, and

“(D) 25 percent of the net tax liability in the case of the 8th such installment.

“(2) DATE FOR PAYMENT OF INSTALLMENTS.—If an election is made under paragraph (1), the first installment shall be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year described in subsection (a) and each succeeding installment shall be paid on the due date (as so determined) for the return of tax for the taxable year following the taxable year with respect to which the preceding installment was made.

“(3) ACCELERATION OF PAYMENT.—If there is an addition to tax for failure to timely pay any installment required under this subsection, a liquidation or sale of substantially all the assets of the taxpayer (including in a title 11 or similar case), a cessation of business by the taxpayer, or any similar circumstance, then the unpaid portion of all remaining installments shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed). The preceding sentence shall not apply to the sale of substantially all the assets of a taxpayer to a buyer if such buyer enters into an agreement with the Secretary under which such buyer is liable for the remaining installments due under this subsection in the same manner as if such buyer were the taxpayer.

“(4) PRORATION OF DEFICIENCY TO INSTALLMENTS.—If an election is made under paragraph (1) to pay the net tax liability under this section in installments and a deficiency has been assessed with respect to such net tax liability, the deficiency shall be prorated to the installments payable under paragraph (1). The part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as, and as a part of, such installment. The part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary. This subsection shall not apply if the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax.

“(5) ELECTION.—Any election under paragraph (1) shall be made not later than the

due date for the return of tax for the taxable year described in subsection (a) and shall be made in such manner as the Secretary shall provide.

“(6) NET TAX LIABILITY UNDER THIS SECTION.—For purposes of this subsection—

“(A) IN GENERAL.—The net tax liability under this section with respect to any United States shareholder is the excess (if any) of—

“(i) such taxpayer’s net income tax for the taxable year in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section, over

“(ii) such taxpayer’s net income tax for such taxable year determined—

“(I) without regard to this section, and

“(II) without regard to any income or deduction properly attributable to a dividend received by such United States shareholder from any deferred foreign income corporation.

“(B) NET INCOME TAX.—The term ‘net income tax’ means the regular tax liability reduced by the credits allowed under subparts A, B, and D of part IV of subchapter A.

“(i) SPECIAL RULES FOR S CORPORATION SHAREHOLDERS.—

“(1) IN GENERAL.—In the case of any S corporation which is a United States shareholder of a deferred foreign income corporation, each shareholder of such S corporation may elect to defer payment of such shareholder’s net tax liability under this section with respect to such S corporation until the shareholder’s taxable year which includes the triggering event with respect to such liability. Any net tax liability payment of which is deferred under the preceding sentence shall be assessed on the return of tax as an addition to tax in the shareholder’s taxable year which includes such triggering event.

“(2) TRIGGERING EVENT.—

“(A) IN GENERAL.—In the case of any shareholder’s net tax liability under this section with respect to any S corporation, the triggering event with respect to such liability is whichever of the following occurs first:

“(i) Such corporation ceases to be an S corporation (determined as of the first day of the first taxable year that such corporation is not an S corporation).

“(ii) A liquidation or sale of substantially all the assets of such S corporation (including in a title 11 or similar case), a cessation of business by such S corporation, such S corporation ceases to exist, or any similar circumstance.

“(iii) A transfer of any share of stock in such S corporation by the taxpayer (including by reason of death, or otherwise).

“(B) PARTIAL TRANSFERS OF STOCK.—In the case of a transfer of less than all of the taxpayer’s shares of stock in the S corporation, such transfer shall only be a triggering event with respect to so much of the taxpayer’s net tax liability under this section with respect to such S corporation as is properly allocable to such stock.

“(C) TRANSFER OF LIABILITY.—A transfer described in clause (iii) of subparagraph (A) shall not be treated as a triggering event if the transferee enters into an agreement with the Secretary under which such transferee is liable for net tax liability with respect to such stock in the same manner as if such transferee were the taxpayer.

“(3) NET TAX LIABILITY.—A shareholder’s net tax liability under this section with respect to any S corporation is the net tax liability under this section which would be determined under subsection (h)(6) if the only subpart F income taken into account by such shareholder by reason of this section were allocations from such S corporation.

“(4) ELECTION TO PAY DEFERRED LIABILITY IN INSTALLMENTS.—In the case of a taxpayer which elects to defer payment under paragraph (1)—

“(A) subsection (h) shall be applied separately with respect to the liability to which such election applies,

“(B) an election under subsection (h) with respect to such liability shall be treated as timely made if made not later than the due date for the return of tax for the taxable year in which the triggering event with respect to such liability occurs,

“(C) the first installment under subsection (h) with respect to such liability shall be paid not later than such due date (but determined without regard to any extension of time for filing the return), and

“(D) if the triggering event with respect to any net tax liability is described in paragraph (2)(A)(ii), an election under subsection (h) with respect to such liability may be made only with the consent of the Secretary.

“(5) JOINT AND SEVERAL LIABILITY OF S CORPORATION.—If any shareholder of an S corporation elects to defer payment under paragraph (1), such S corporation shall be jointly and severally liable for such payment and any penalty, addition to tax, or additional amount attributable thereto.

“(6) EXTENSION OF LIMITATION ON COLLECTION.—Any limitation on the time period for the collection of a liability deferred under this subsection shall not be treated as beginning before the date of the triggering event with respect to such liability.

“(7) ANNUAL REPORTING OF NET TAX LIABILITY.—

“(A) IN GENERAL.—Any shareholder of an S corporation which makes an election under paragraph (1) shall report the amount of such shareholder's deferred net tax liability on such shareholder's return of tax for the taxable year for which such election is made and on the return of tax for each taxable year thereafter until such amount has been fully assessed on such returns.

“(B) DEFERRED NET TAX LIABILITY.—For purposes of this paragraph, the term ‘deferred net tax liability’ means, with respect to any taxable year, the amount of net tax liability payment of which has been deferred under paragraph (1) and which has not been assessed on a return of tax for any prior taxable year.

“(C) FAILURE TO REPORT.—In the case of any failure to report any amount required to be reported under subparagraph (A) with respect to any taxable year before the due date for the return of tax for such taxable year, there shall be assessed on such return as an addition to tax 5 percent of such amount.

“(8) ELECTION.—Any election under paragraph (1)—

“(A) shall be made by the shareholder of the S corporation not later than the due date for such shareholder's return of tax for the taxable year which includes the close of the taxable year of such S corporation in which the amount described in subsection (a) is taken into account, and

“(B) shall be made in such manner as the Secretary shall provide.

“(j) REPORTING BY S CORPORATION.—Each S corporation which is a United States shareholder of a specified foreign corporation shall report in its return of tax under section 6037(a) the amount includible in its gross income for such taxable year by reason of this section and the amount of the deduction allowable by subsection (b). Any copy provided to a shareholder under section 6037(b) shall include a statement of such shareholder's pro rata share of such amounts.

“(k) EXTENSION OF LIMITATION ON ASSESSMENT.—Notwithstanding section 6501, the

limitation on the time period for the assessment of the net tax liability under this section (as defined in subsection (h)(6)) shall not expire before the date that is 6 years after the return for the taxable year described in such subsection was filed.

“(1) RECAPTURE FOR EXPATRIATED ENTITIES.—

“(1) IN GENERAL.—If a deduction is allowed under subsection (c) to a United States shareholder and such shareholder first becomes an expatriated entity at any time during the 10-year period beginning on the date of the enactment of the Tax Cuts and Jobs Act, then—

“(A) the tax imposed by this chapter shall be increased for the first taxable year in which such taxpayer becomes an expatriated entity by an amount equal to 35 percent of the amount of the deduction allowed to the specified foreign corporation under subsection (c), and

“(B) no credits shall be allowed against the increase in tax under subparagraph (A).

“(2) EXPATRIATED ENTITY.—For purposes of this subsection, the term ‘expatriated entity’ has the same meaning given such term under section 7874(a)(2), except that such term shall not include an entity if the surrogate foreign corporation with respect to the entity is treated as a domestic corporation under section 7874(b).

“(m) SPECIAL RULES FOR UNITED STATES SHAREHOLDERS WHICH ARE REAL ESTATE INVESTMENT TRUSTS.—

“(1) IN GENERAL.—If a real estate investment trust is a United States shareholder in 1 or more deferred foreign income corporations—

“(A) any amount required to be taken into account under section 951(a)(1) by reason of this section shall not be taken into account as gross income of the real estate investment trust for purposes of applying paragraphs (2) and (3) of section 856(c) to any taxable year for which such amount is taken into account under section 951(a)(1), and

“(B) if the real estate investment trust elects the application of this subparagraph, notwithstanding subsection (a), any amount required to be taken into account under section 951(a)(1) by reason of this section shall, in lieu of the taxable year in which it would otherwise be included in gross income (for purposes of the computation of real estate investment trust taxable income under section 857(b)), be included in gross income as follows:

“(i) 8 percent of such amount in the case of each of the taxable years in the 5-taxable year period beginning with the taxable year in which such amount would otherwise be included.

“(ii) 15 percent of such amount in the case of the 1st taxable year following such period.

“(iii) 20 percent of such amount in the case of the 2nd taxable year following such period.

“(iv) 25 percent of such amount in the case of the 3rd taxable year following such period.

“(2) RULES FOR TRUSTS ELECTING DEFERRED INCLUSION.—

“(A) ELECTION.—Any election under paragraph (1)(B) shall be made not later than the due date for the first taxable year in the 5-taxable year period described in clause (i) of paragraph (1)(B) and shall be made in such manner as the Secretary shall provide.

“(B) SPECIAL RULES.—If an election under paragraph (1)(B) is in effect with respect to any real estate investment trust, the following rules shall apply:

“(i) APPLICATION OF PARTICIPATION EXEMPTION.—For purposes of subsection (c)(1)—

“(I) the aggregate amount to which subparagraph (A) or (B) of subsection (c)(1) ap-

plies shall be determined without regard to the election,

“(II) each such aggregate amount shall be allocated to each taxable year described in paragraph (1)(B) in the same proportion as the amount included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section is allocated to each such taxable year.

“(III) NO INSTALLMENT PAYMENTS.—The real estate investment trust may not make an election under subsection (g) for any taxable year described in paragraph (1)(B).

“(ii) ACCELERATION OF INCLUSION.—If there is a liquidation or sale of substantially all the assets of the real estate investment trust (including in a title 11 or similar case), a cessation of business by such trust, or any similar circumstance, then any amount not yet included in gross income under paragraph (1)(B) shall be included in gross income as of the day before the date of the event and the unpaid portion of any tax liability with respect to such inclusion shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed).

“(n) ELECTION NOT TO APPLY NET OPERATING LOSS DEDUCTION.—

“(1) IN GENERAL.—If a United States shareholder of a deferred foreign income corporation elects the application of this subsection for the taxable year described in subsection (a), then the amount described in paragraph (2) shall not be taken into account—

“(A) in determining the amount of the net operating loss deduction under section 172 of such shareholder for such taxable year, or

“(B) in determining the amount of taxable income for such taxable year which may be reduced by net operating loss carryovers or carrybacks to such taxable year under section 172.

“(2) AMOUNT DESCRIBED.—The amount described in this paragraph is the sum of—

“(A) the amount required to be taken into account under section 951(a)(1) by reason of this section (determined after the application of subsection (c)), plus

“(B) in the case of a domestic corporation which chooses to have the benefits of subpart A of part III of subchapter N for the taxable year, the taxes deemed to be paid by such corporation under subsections (a) and (b) of section 960 for such taxable year with respect to the amount described in subparagraph (A) which are treated as a dividends under section 78.

“(3) ELECTION.—Any election under this subsection shall be made not later than the due date (including extensions) for filing the return of tax for the taxable year and shall be made in such manner as the Secretary shall prescribe.

“(o) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section or to prevent the avoidance of the purposes of this section, including through a reduction in earnings and profits through changes in entity classification, changes in accounting methods, or otherwise.”.

(b) CLERICAL AMENDMENT.—The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 965 and inserting the following:

“Sec. 965. Treatment of deferred foreign income upon transition to participation exemption system of taxation.”.

Subpart B—Rules Related to Passive and Mobile Income

CHAPTER 1—TAXATION OF FOREIGN-DE-RIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME

SEC. 14201. CURRENT YEAR INCLUSION OF GLOBAL INTANGIBLE LOW-TAXED INCOME BY UNITED STATES SHAREHOLDERS.

(a) IN GENERAL.—Subpart F of part III of subchapter N of chapter 1 is amended by inserting after section 951 the following new section:

“SEC. 951A. GLOBAL INTANGIBLE LOW-TAXED INCOME INCLUDED IN GROSS INCOME OF UNITED STATES SHAREHOLDERS.

“(a) IN GENERAL.—Each person who is a United States shareholder of any controlled foreign corporation for any taxable year of such United States shareholder shall include in gross income such shareholder’s global intangible low-taxed income for such taxable year.

“(b) GLOBAL INTANGIBLE LOW-TAXED INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘global intangible low-taxed income’ means, with respect to any United States shareholder for any taxable year of such United States shareholder, the excess (if any) of—

“(A) such shareholder’s net CFC tested income for such taxable year, over

“(B) such shareholder’s net deemed tangible income return for such taxable year.

“(2) NET DEEMED TANGIBLE INCOME RETURN.—The term ‘net deemed tangible income return’ means, with respect to any United States shareholder for any taxable year, an amount equal to 10 percent of the aggregate of such shareholder’s pro rata share of the qualified business asset investment of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year (determined for each taxable year of each such controlled foreign corporation which ends in or with such taxable year of such United States shareholder).

“(c) NET CFC TESTED INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘net CFC tested income’ means, with respect to any United States shareholder for any taxable year of such United States shareholder, the excess (if any) of—

“(A) the aggregate of such shareholder’s pro rata share of the tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder (determined for each taxable year of such controlled foreign corporation which ends in or with such taxable year of such United States shareholder), over

“(B) the aggregate of such shareholder’s pro rata share of the tested loss of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder (determined for each taxable year of such controlled foreign corporation which ends in or with such taxable year of such United States shareholder).

“(2) TESTED INCOME; TESTED LOSS.—For purposes of this section—

“(A) TESTED INCOME.—The term ‘tested income’ means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of—

“(i) the gross income of such corporation determined without regard to—

“(I) any item of income described in section 952(b),

“(II) any gross income taken into account in determining the subpart F income of such corporation,

“(III) any gross income excluded from the foreign base company income (as defined in section 954) and the insurance income (as defined in section 953) of such corporation by reason of section 954(b)(4),

“(IV) any dividend received from a related person (as defined in section 954(d)(3)), and

“(V) any foreign oil and gas extraction income (as defined in section 907(c)(1)) of such corporation, over

“(ii) the deductions (including taxes) properly allocable to such gross income under rules similar to the rules of section 954(b)(5).

“(B) TESTED LOSS.—

“(i) IN GENERAL.—The term ‘tested loss’ means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of the amount described in subparagraph (A)(ii) over the amount described in subparagraph (A)(i).

“(ii) COORDINATION WITH SUBPART F TO DENY DOUBLE BENEFIT OF LOSSES.—Section 952(c)(1)(A) shall be applied by increasing the earnings and profits of the controlled foreign corporation by the tested loss of such corporation.

“(d) QUALIFIED BUSINESS ASSET INVESTMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified business asset investment’ means, with respect to any corporation for any taxable year of such controlled foreign corporation, the average of the aggregate of the corporation’s adjusted bases as of the close of each quarter of such taxable year in specified tangible property —

“(A) used in a trade or business of the corporation, and

“(B) of a type with respect to which a deduction is allowable under section 167.

“(2) SPECIFIED TANGIBLE PROPERTY.—

“(A) IN GENERAL.—The term ‘specified tangible property’ means, except as provided in subparagraph (B), any tangible property used in the production of tested income.

“(B) DUAL USE PROPERTY.—In the case of property used both in the production of tested income and income which is not tested income, such property shall be treated as specified tangible property in the same proportion that the gross income described in subsection (c)(1)(A) produced with respect to such property bears to the total gross income produced with respect to such property.

“(3) DETERMINATION OF ADJUSTED BASIS.—For purposes of this subsection, notwithstanding any provision of this title (or any other provision of law) which is enacted after the date of the enactment of this section, the adjusted basis in any property shall be determined using the alternative depreciation system under section 168(g).

“(4) REGULATIONS.—The Secretary shall issue such regulations or other guidance as the Secretary determines appropriate to prevent the avoidance of the purposes of this subsection, including regulations or other guidance which provide for the treatment of property if—

“(A) such property is transferred, or held, temporarily, or

“(B) the avoidance of the purposes of this paragraph is a factor in the transfer or holding of such property.

“(e) DETERMINATION OF PRO RATA SHARE, ETC.—For purposes of this section—

“(1) IN GENERAL.—The pro rata shares referred to in subsections (b), (c)(1)(A), and (c)(1)(B), respectively, shall be determined under the rules of section 951(a)(2) in the same manner as such section applies to subpart F income and shall be taken into account in the taxable year of the United States shareholder in which or with which the taxable year of the controlled foreign corporation ends.

“(2) TREATMENT AS UNITED STATES SHAREHOLDER.—For purposes of paragraph (1), a person shall be treated as a United States shareholder of a controlled foreign corporation for any taxable year only if such person owns (within the meaning of section 958(a)) stock in such foreign corporation on the last day, in such year, on which such foreign corporation is a controlled foreign corporation.

“(3) TREATMENT AS CONTROLLED FOREIGN CORPORATION.—A foreign corporation shall be treated as a controlled foreign corporation for any taxable year if such foreign corporation is a controlled foreign corporation at any time during such taxable year.

“(f) TREATMENT AS SUBPART F INCOME FOR CERTAIN PURPOSES.—

“(1) IN GENERAL.—

“(A) APPLICATION.—Except as provided in subparagraph (B), any global intangible low-taxed income included in gross income under subsection (a) shall be treated in the same manner as an amount included under section 951(a)(1)(A) for purposes of applying sections 168(h)(2)(B), 535(b)(10), 851(b), 904(h)(1), 959, 961, 962(c), 962(d), 993(a)(1)(E), 996(f)(1), 1248(b)(1), 1248(d)(1), 6501(e)(1)(C), 6654(d)(2)(D), and 6655(e)(4).

“(B) EXCEPTION.—The Secretary shall provide rules for the application of subparagraph (A) to other provisions of this title in any case in which the determination of subpart F income is required to be made at the level of the controlled foreign corporation.

“(2) ALLOCATION OF GLOBAL INTANGIBLE LOW-TAXED INCOME TO CONTROLLED FOREIGN CORPORATIONS.—For purposes of the sections referred to in paragraph (1), with respect to any controlled foreign corporation any pro rata amount from which is taken into account in determining the global intangible low-taxed income included in gross income of a United States shareholder under subsection (a), the portion of such global intangible low-taxed income which is treated as being with respect to such controlled foreign corporation is—

“(A) in the case of a controlled foreign corporation with no tested income, zero, and

“(B) in the case of a controlled foreign corporation with tested income, the portion of such global intangible low-taxed income which bears the same ratio to such global intangible low-taxed income as—

“(i) such United States shareholder’s pro rata amount of the tested income of such controlled foreign corporation, bears to

“(ii) the aggregate amount described in subsection (c)(1)(A) with respect to such United States shareholder.”

(b) FOREIGN TAX CREDIT.—

(1) APPLICATION OF DEEMED PAID FOREIGN TAX CREDIT.—Section 960 is amended adding at the end the following new subsection:

“(d) DEEMED PAID CREDIT FOR TAXES PROPERLY ATTRIBUTABLE TO TESTED INCOME.—

“(1) IN GENERAL.—For purposes of this subpart, if any amount is includible in the gross income of a domestic corporation under section 951A, such domestic corporation shall be deemed to have paid foreign income taxes equal to 80 percent of the product of—

“(A) such domestic corporation’s inclusion percentage, multiplied by

“(B) the aggregate tested foreign income taxes paid or accrued by controlled foreign corporations.

“(2) INCLUSION PERCENTAGE.—For purposes of paragraph (1), the term ‘inclusion percentage’ means, with respect to any domestic corporation, the ratio (expressed as a percentage) of—

“(A) such corporation’s global intangible low-taxed income (as defined in section 951A(b)), divided by

“(B) the aggregate amount described in section 951A(c)(1)(A) with respect to such corporation.

“(3) TESTED FOREIGN INCOME TAXES.—For purposes of paragraph (1), the term ‘tested foreign income taxes’ means, with respect to any domestic corporation which is a United States shareholder of a controlled foreign corporation, the foreign income taxes paid or accrued by such foreign corporation which are properly attributable to the tested income of such foreign corporation taken into account by such domestic corporation under section 951A.”.

(2) APPLICATION OF FOREIGN TAX CREDIT LIMITATION.—

(A) SEPARATE BASKET FOR GLOBAL INTANGIBLE LOW-TAXED INCOME.—Section 904(d)(1) is amended by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively, and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

“(A) any amount includible in gross income under section 951A (other than passive category income).”.

(B) EXCLUSION FROM GENERAL CATEGORY INCOME.—Section 904(d)(2)(A)(ii) is amended by inserting “income described in paragraph (1)(A) and” before “passive category income”.

(C) NO CARRYOVER OR CARRYBACK OF EXCESS TAXES.—Section 904(c) is amended by adding at the end the following: “This subsection shall not apply to taxes paid or accrued with respect to amounts described in subsection (d)(1)(A).”.

(c) CLERICAL AMENDMENT.—The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by inserting after the item relating to section 951 the following new item:

“Sec. 951A. Global intangible low-taxed income included in gross income of United States shareholders.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14202. DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME.

(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by adding at the end the following new section:

“SEC. 250. FOREIGN-DERIVED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME.

“(a) ALLOWANCE OF DEDUCTION.—

“(1) IN GENERAL.—In the case of a domestic corporation for any taxable year, there shall be allowed as a deduction an amount equal to the sum of—

“(A) 37.5 percent of the foreign-derived intangible income of such domestic corporation for such taxable year, plus

“(B) 50 percent of the global intangible low-taxed income amount (if any) which is included in the gross income of such domestic corporation under section 951A for such taxable year.

“(2) LIMITATION BASED ON TAXABLE INCOME.—

“(A) IN GENERAL.—If, for any taxable year—

“(i) the sum of the foreign-derived intangible income and the global intangible low-taxed income amount otherwise taken into account by the domestic corporation under paragraph (1), exceeds

“(ii) the taxable income of the domestic corporation (determined without regard to this section),

then the amount of the foreign-derived intangible income and the global intangible low-taxed income amount so taken into ac-

count shall be reduced as provided in subparagraph (B).

“(B) REDUCTION.—For purposes of subparagraph (A)—

“(1) foreign-derived intangible income shall be reduced by an amount which bears the same ratio to the excess described in subparagraph (A) as such foreign-derived intangible income bears to the sum described in subparagraph (A)(i), and

“(ii) the global intangible low-taxed income amount shall be reduced by the remainder of such excess.

“(3) REDUCTION IN DEDUCTION FOR TAXABLE YEARS AFTER 2025.—In the case of any taxable year beginning after December 31, 2025, paragraph (1) shall be applied by substituting—

“(A) ‘21.875 percent’ for ‘37.5 percent’ in subparagraph (A), and

“(B) ‘37.5 percent’ for ‘50 percent’ in subparagraph (B).

“(b) FOREIGN-DERIVED INTANGIBLE INCOME.—For purposes of this section—

“(1) IN GENERAL.—The foreign-derived intangible income of any domestic corporation is the amount which bears the same ratio to the deemed intangible income of such corporation as—

“(A) the foreign-derived deduction eligible income of such corporation, bears to

“(B) the deduction eligible income of such corporation.

“(2) DEEMED INTANGIBLE INCOME.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘deemed intangible income’ means the excess (if any) of—

“(i) the deduction eligible income of the domestic corporation, over

“(ii) the deemed tangible income return of the corporation.

“(B) DEEMED TANGIBLE INCOME RETURN.—The term ‘deemed tangible income return’ means, with respect to any corporation, an amount equal to 10 percent of the corporation’s qualified business asset investment (as defined in section 951A(d), determined by substituting ‘deduction eligible income’ for ‘tested income’ in paragraph (2) thereof).

“(3) DEDUCTION ELIGIBLE INCOME.—

“(A) IN GENERAL.—The term ‘deduction eligible income’ means, with respect to any domestic corporation, the excess (if any) of—

“(i) gross income of such corporation determined without regard to—

“(I) the subpart F income of such corporation determined under section 951,

“(II) the global intangible low-taxed income determined under section 951A,

“(III) any financial services income (as defined in section 904(d)(2)(D)) of such corporation which is not described in clause (ii),

“(IV) any dividend received from a corporation which is a controlled foreign corporation of such domestic corporation,

“(V) any domestic oil and gas extraction income of such corporation, and

“(VI) any foreign branch income (as defined in section 904(d)(2)(J)), over

“(ii) the deductions (including taxes) properly allocable to such gross income under rules similar to the rules of section 954(b)(5).

“(B) DOMESTIC OIL AND GAS EXTRACTION INCOME.—For purposes of subparagraph (A), the term ‘domestic oil and gas extraction income’ means income described in section 907(c)(1), determined by substituting ‘within the United States’ for ‘without the United States’.

“(4) FOREIGN-DERIVED DEDUCTION ELIGIBLE INCOME.—The term ‘foreign-derived deduction eligible income’ means, with respect to any taxpayer for any taxable year, any deduction eligible income of such taxpayer which is derived in connection with—

“(A) property—

“(i) which is sold by the taxpayer to any person who is not a United States person, and

“(ii) which the taxpayer establishes to the satisfaction of the Secretary is for a foreign use, or

“(B) services provided by the taxpayer which 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.

“(5) RULES RELATING TO FOREIGN USE PROPERTY OR SERVICES.—For purposes of this subsection—

“(A) FOREIGN USE.—The term ‘foreign use’ means any use, consumption, or disposition which is not within the United States.

“(B) PROPERTY OR SERVICES PROVIDED TO DOMESTIC INTERMEDIARIES.—

“(i) PROPERTY.—If a taxpayer sells property to another person (other than a related party) for further manufacture or other modification within the United States, such property shall not be treated as sold for a foreign use even if such other person subsequently uses such property for a foreign use.

“(ii) SERVICES.—If a taxpayer provides services to another person (other than a related party) located within the United States, such services shall not be treated as described in paragraph (4)(B) even if such other person uses such services in providing services which are so described.

“(C) SPECIAL RULES WITH RESPECT TO RELATED PARTY TRANSACTIONS.—

“(i) SALES TO RELATED PARTIES.—If property is sold to a related party who is not a United States person, such sale shall not be treated as for a foreign use unless such property is sold by the related party to another person who is an unrelated party who is not a United States person and the taxpayer establishes to the satisfaction of the Secretary that such property is for a foreign use.

“(ii) SERVICE PROVIDED TO RELATED PARTIES.—If a service is provided to a related party who is not located in the United States, such service shall be not be treated described in subparagraph (A)(ii) unless the taxpayer established to the satisfaction of the Secretary that such service is not substantially similar to services provided by such related party to persons located within the United States.

“(D) RELATED PARTY.—For purposes of this paragraph, the term ‘related party’ means any member of an affiliated group as defined in section 1504(a), determined—

“(i) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears, and

“(ii) without regard to paragraphs (2) and (3) of section 1504(b).

Any person (other than a corporation) shall be treated as a member of such group if such person is controlled by members of such group (including any entity treated as a member of such group by reason of this sentence) or controls any such member. For purposes of the preceding sentence, control shall be determined under the rules of section 954(d)(3).

“(E) SOLD.—For purposes of this subsection, the terms ‘sold’, ‘sells’, and ‘sale’ shall include any lease, license, exchange, or other disposition.

“(c) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 172(d), as amended by section 13011, is amended by adding at the end the following new paragraph:

“(10) DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME.—The deduction under section 250 shall not be allowed.”.

(2) Section 246(b)(1) is amended—

(A) by striking “and subsection (a) and (b) of section 245” the first place it appears and

inserting “, subsection (a) and (b) of section 245, and section 250”.

(B) by striking “and subsection (a) and (b) of section 245” the second place it appears and inserting “subsection (a) and (b) of section 245, and 250”.

(3) Section 469(i)(3)(F)(iii) is amended by striking “and 222” and inserting “222, and 250”.

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

“Sec. 250. Foreign-derived intangible income and global intangible low-taxed income.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14203. SPECIAL RULES FOR TRANSFERS OF INTANGIBLE PROPERTY FROM CONTROLLED FOREIGN CORPORATIONS TO UNITED STATES SHAREHOLDERS.

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

“SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO UNITED STATES SHAREHOLDERS.

“(a) IN GENERAL.—In the case of any distribution of intangible property which is held by a controlled foreign corporation on the date of enactment of this section and which is described in subsection (b)—

“(1) for purposes of part I of subchapter C and any other provision of this title specified by the Secretary, the fair market value of such property on the date of such distribution shall be treated as not exceeding the adjusted basis of such property immediately before such distribution, and

“(2) if the distribution is to a United States shareholder and is not a dividend—

“(A) the United States shareholder’s adjusted basis in the stock of the controlled foreign corporation with respect to which such distribution is made shall be increased by the amount (if any) of such distribution which would (but for this subsection) be includible in gross income, and

“(B) the adjusted basis of such property in the hands of such United States shareholder immediately after such distribution shall be such adjusted basis immediately before such distribution reduced by the amount of the increase described in subparagraph (A).

“(b) DISTRIBUTION.—A distribution is described in this section if the distribution is—

“(1) received by a domestic corporation from a controlled foreign corporation with respect to which such corporation is a United States shareholder, and

“(2) made by the controlled foreign corporation before the last day of the third taxable year of the controlled foreign corporation beginning after December 31, 2017.

“(c) INTANGIBLE PROPERTY.—For purposes of this subsection, the term ‘intangible property’ has the meaning given such term by section 936(h)(3)(B) or which is computer software described in section 197(e)(3)(B).”.

(b) CONFORMING AMENDMENTS.—
(1) Section 197(f)(2)(B)(i) is amended by inserting “966(a),” after “731.”.

(2) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by adding at the end the following new item:

“Sec. 966. Transfers of intangible property to United States shareholders.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made in taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

CHAPTER 2—OTHER MODIFICATIONS OF SUBPART F PROVISIONS

SEC. 14211. ELIMINATION OF INCLUSION OF FOREIGN BASE COMPANY OIL RELATED INCOME.

(a) REPEAL.—Subsection (a) of section 954 is amended—

(1) by inserting “and” at the end of paragraph (2),

(2) by striking the comma at the end of paragraph (3) and inserting a period, and

(3) by striking paragraph (5).

(b) CONFORMING AMENDMENTS.—

(1) Section 952(c)(1)(B)(iii) is amended by striking subclause (I) and redesignating subclauses (II) through (V) as subclauses (I) through (IV), respectively.

(2) Section 954(b) is amended—

(A) by striking the second sentence of paragraph (4),

(B) by striking “the foreign base company services income, and the foreign base company oil related income” in paragraph (5) and inserting “and the foreign base company services income”, and

(C) by striking paragraph (6).

(3) Section 954 is amended by striking subsection (g).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14212. INFLATION ADJUSTMENT OF DE MINIMIS EXCEPTION FOR FOREIGN BASE COMPANY INCOME.

(a) IN GENERAL.—Section 954(b)(3) is amended by adding at the end the following new subparagraph:

“(D) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2017, the dollar amount in subparagraph (A)(ii) 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 the taxable year begins. Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$50,000.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14213. REPEAL OF INCLUSION BASED ON WITHDRAWAL OF PREVIOUSLY EXCLUDED SUBPART F INCOME FROM QUALIFIED INVESTMENT.

(a) IN GENERAL.—Subpart F of part III of subchapter N of chapter 1 is amended by striking section 955.

(b) CONFORMING AMENDMENTS.—

(1)(A) Section 951(a)(1)(A) is amended to read as follows:

“(A) his pro rata share (determined under paragraph (2)) of the corporation’s subpart F income for such year, and”.

(B) Section 851(b) is amended by striking “section 951(a)(1)(A)(i)” in the flush language at the end and inserting “section 951(a)(1)(A)”.

(C) Section 952(c)(1)(B)(i) is amended by striking “section 951(a)(1)(A)(i)” and inserting “section 951(a)(1)(A)”.

(D) Section 953(c)(1)(C) is amended by striking “section 951(a)(1)(A)(i)” and inserting “section 951(a)(1)(A)”.

(2) Section 951(a) is amended by striking paragraph (3).

(3) Section 953(d)(4)(B)(iv)(II) is amended by striking “or amounts referred to in clause (ii) or (iii) of section 951(a)(1)(A)”.

(4) Section 964(b) is amended by striking “, 955.”.

(5) Section 970 is amended by striking subsection (b).

(6) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 955.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14214. MODIFICATION OF STOCK ATTRIBUTION RULES FOR DETERMINING STATUS AS A CONTROLLED FOREIGN CORPORATION.

(a) IN GENERAL.—Section 958(b) is amended—

(1) by striking paragraph (4), and

(2) by striking “Paragraphs (1) and (4)” in the last sentence and inserting “Paragraph (1)”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) the last taxable year of foreign corporations beginning before January 1, 2018, and each subsequent taxable year of such foreign corporations, and

(2) taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14215. MODIFICATION OF DEFINITION OF UNITED STATES SHAREHOLDER.

(a) IN GENERAL.—Section 951(b) is amended by inserting “, or 10 percent or more of the total value of shares of all classes of stock of such foreign corporation” after “such foreign corporation”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14216. ELIMINATION OF REQUIREMENT THAT CORPORATION MUST BE CONTROLLED FOR 30 DAYS BEFORE SUBPART F INCLUSIONS APPLY.

(a) IN GENERAL.—Section 951(a)(1) is amended by striking “for an uninterrupted period of 30 days or more” and inserting “at any time”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14217. LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS MADE PERMANENT.

(a) IN GENERAL.—Paragraph (6) of section 954(c) is amended by striking subparagraph (C).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14218. CORPORATIONS ELIGIBLE FOR DEDUCTION FOR DIVIDENDS FROM CONTROLLED FOREIGN CORPORATIONS EXEMPT FROM SUBPART F INCLUSION FOR INVESTMENT IN UNITED STATES PROPERTY.

(a) IN GENERAL.—Section 956(a) is amended by inserting “(other than a corporation)” after “United States shareholder” in the matter preceding paragraph (1).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations ending after December 31, 2017, and to taxable

years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

CHAPTER 3—PREVENTION OF BASE EROSION

SEC. 14221. DENIAL OF DEDUCTION FOR INTEREST EXPENSE OF UNITED STATES SHAREHOLDERS WHICH ARE MEMBERS OF WORLDWIDE AFFILIATED GROUPS WITH EXCESS DOMESTIC INDEBTEDNESS.

(a) IN GENERAL.—Section 163 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) DISALLOWANCE OF DEDUCTION FOR INTEREST EXPENSE OF UNITED STATES SHAREHOLDERS WHICH ARE MEMBERS OF WORLDWIDE AFFILIATED GROUPS WITH EXCESS DOMESTIC INDEBTEDNESS.—

“(1) IN GENERAL.—In the case of any domestic corporation which is a member of a worldwide affiliated group, the deduction allowed under this chapter for interest paid or accrued by such domestic corporation during the taxable year shall be reduced by the product of—

“(A) the net interest expense of such domestic corporation, multiplied by

“(B) the debt-to-equity differential percentage of such worldwide affiliated group.

“(2) CARRYFORWARD.—Any amount disallowed under paragraph (1) for any taxable year shall be treated as interest paid or accrued in the succeeding taxable year.

“(3) DEBT-TO-EQUITY DIFFERENTIAL PERCENTAGE.—

“(A) IN GENERAL.—For purposes of this subsection, the term ‘debt-to-equity differential percentage’ means, with respect to any worldwide affiliated group, the percentage which the excess domestic indebtedness of such group bears to the total indebtedness of the domestic corporations which are members of such group.

“(B) EXCESS DOMESTIC INDEBTEDNESS.—For purposes of subparagraph (A), the term ‘excess domestic indebtedness’ means, with respect to any worldwide affiliated group, the excess (if any) of—

“(i) the total indebtedness of the domestic corporations which are members of such group, over

“(ii) 110 percent of the amount which the total indebtedness of such domestic corporations would be if the ratio of such indebtedness to the total equity of such domestic corporations equaled the ratio which—

“(I) the total indebtedness of such group, bears to

“(II) the total equity of such group.

“(C) TOTAL EQUITY.—For purposes of subparagraph (B), the term ‘total equity’ means, with respect to one or more corporations, the excess (if any) of—

“(i) the money and all other assets of such corporations, over

“(ii) the total indebtedness of such corporations.

“(D) SPECIAL RULES FOR DETERMINING DEBT AND EQUITY.—

“(i) IN GENERAL.—For purposes of this paragraph—

“(I) the amount taken into account with respect to any asset shall be the adjusted basis thereof for purposes of determining gain,

“(II) the amount taken into account with respect to any indebtedness with original issue discount shall be its issue price plus the portion of the original issue discount previously accrued as determined under the rules of section 1272 (determined without regard to subsection (a)(7) or (b)(4) thereof), and

“(III) there shall be such other adjustments as the Secretary shall by regulations prescribe.

“(ii) INTRAGROUP DEBT AND EQUITY INTERESTS DISREGARDED.—For purposes of this paragraph, the total indebtedness, and the assets, of any group of corporations shall be determined by treating all members of such group as one corporation.

“(iii) DETERMINATION OF ASSETS OF DOMESTIC GROUP.—For purposes of this paragraph, the assets of the domestic corporations which are members of any worldwide affiliated group shall be determined by disregarding any interest held by any such domestic corporation in any foreign corporation which is a member of such group.

“(4) OTHER DEFINITIONS.—For purposes of this subsection—

“(A) WORLDWIDE AFFILIATED GROUP.—The term ‘worldwide affiliated group’ means a group consisting of the includible members of an affiliated group, as defined in section 1504(a), determined—

“(i) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears in such section, and

“(ii) without regard to paragraphs (2), (3), and (4) of section 1504(b).

“(B) NET INTEREST EXPENSE.—The term ‘net interest expense’ means the excess (if any) of

“(i) the interest paid or accrued by the taxpayer during the taxable year, over

“(ii) the amount of interest includible in the gross income of such taxpayer for such taxable year.

The Secretary shall by regulations provide for adjustments in determining the amount of net interest expense if necessary.

“(5) TREATMENT OF AFFILIATED GROUP.—For purposes of this subsection, all members of the same affiliated group (within the meaning of section 1504(a) applied by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears) shall be treated as one taxpayer.

“(6) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be appropriate to carry out the purposes of this subsection, including regulations or other guidance—

“(A) to prevent the avoidance of the purposes of this subsection,

“(B) providing such adjustments in the case of corporations which are members of an affiliated group as may be appropriate to carry out the purposes of this subsection,

“(C) providing for the coordination of this subsection with section 884,

“(D) providing for the reallocation of shares of partnership indebtedness, or distributive shares of the partnership’s interest income or interest expense, and

“(E) providing for the coordination with the limitation under subsection (j).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14222. LIMITATIONS ON INCOME SHIFTING THROUGH INTANGIBLE PROPERTY TRANSFERS.

(a) DEFINITION OF INTANGIBLE ASSET.—Section 936(h)(3)(B) is amended—

(1) by striking “or” at the end of clause (v),

(2) by striking clause (vi) and inserting the following:

“(vi) any goodwill, going concern value, or workforce in place (including its composition and terms and conditions (contractual or otherwise) of its employment); or

“(vii) any other item the value or potential value of which is not attributable to tangible property or the services of any individual.”, and

(3) by striking the flush language after clause (vii), as added by paragraph (2).

(b) CLARIFICATION OF ALLOWABLE VALUATION METHODS.—

(1) FOREIGN CORPORATIONS.—Section 367(d)(2) is amended by adding at the end the following new subparagraph:

“(D) REGULATORY AUTHORITY.—For purposes of the last sentence of subparagraph (A), the Secretary shall require—

“(i) the valuation of transfers of intangible property, including intangible property transferred with other property or services, on an aggregate basis, or

“(ii) the valuation of such a transfer on the basis of the realistic alternatives to such a transfer,

if the Secretary determines that such basis is the most reliable means of valuation of such transfers.”.

(2) ALLOCATION AMONG TAXPAYERS.—Section 482 is amended by adding at the end the following: “For purposes of this section, the Secretary shall require the valuation of transfers of intangible property (including intangible property transferred with other property or services) on an aggregate basis or the valuation of such a transfer on the basis of the realistic alternatives to such a transfer, if the Secretary determines that such basis is the most reliable means of valuation of such transfers.”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to transfers in taxable years beginning after December 31, 2017.

(2) NO INFERENCE.—Nothing in the amendment made by subsection (a) shall be construed to create any inference with respect to the application of section 936(h)(3) of the Internal Revenue Code of 1986, or the authority of the Secretary of the Treasury to provide regulations for such application, with respect to taxable years beginning before January 1, 2018.

SEC. 14223. CERTAIN RELATED PARTY AMOUNTS PAID OR ACCRUED IN HYBRID TRANSACTIONS OR WITH HYBRID ENTITIES.

(a) IN GENERAL.—Part IX of subchapter B of chapter 1 is amended by inserting after section 267 the following:

“SEC. 267A. CERTAIN RELATED PARTY AMOUNTS PAID OR ACCRUED IN HYBRID TRANSACTIONS OR WITH HYBRID ENTITIES.

“(a) IN GENERAL.—No deduction shall be allowed under this chapter for any disqualified related party amount paid or accrued pursuant to a hybrid transaction or by, or to, a hybrid entity.

“(b) DISQUALIFIED RELATED PARTY AMOUNT.—For purposes of this section—

“(1) DISQUALIFIED RELATED PARTY AMOUNT.—The term ‘disqualified related party amount’ means any interest or royalty paid or accrued to a related party to the extent that—

“(A) such amount is not included in the income of such related party under the tax law of the country of which such related party is a resident for tax purposes or is subject to tax, or

“(B) such related party is allowed a deduction with respect to such amount under the tax law of such country.

Such term shall not include any payment to the extent such payment is included in the gross income of a United States shareholder under section 951(a).

“(2) RELATED PARTY.—The term ‘related party’ means a related person as defined in section 954(d)(3), except that such section shall be applied with respect to the person making the payment described in paragraph (1) in lieu of the controlled foreign corporation otherwise referred to in such section.

“(c) HYBRID TRANSACTION.—For purposes of this section, the term ‘hybrid transaction’ means any transaction, series of transactions, agreement, or instrument one or more payments with respect to which are

treated as interest or royalties for purposes of this chapter and which are not so treated for purposes of the tax law of the foreign country of which the recipient of such payment is resident for tax purposes or is subject to tax.

“(d) HYBRID ENTITY.—For purposes of this section, the term ‘hybrid entity’ means any entity which is either—

“(1) treated as fiscally transparent for purposes of this chapter but not so treated for purposes of the tax law of the foreign country of which the entity is resident for tax purposes or is subject to tax, or

“(2) treated as fiscally transparent for purposes of such tax law but not so treated for purposes of this chapter.

“(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 providing for—

“(1) rules for treating certain conduit arrangements which involve a hybrid transaction or a hybrid entity as subject to subsection (a),

“(2) rules for the application of this section to foreign branches,

“(3) rules for treating certain structured transactions as subject to subsection (a),

“(4) rules for treating a tax preference as an exclusion from income for purposes of applying subsection (b)(1) if such tax preference has the effect of reducing the generally applicable statutory rate by 25 percent or more,

“(5) rules for treating the entire amount of interest or royalty paid or accrued to a related party as a disqualified related party amount if such amount is subject to a participation exemption system or other system which provides for the exclusion or deduction of a substantial portion of such amount,

“(6) rules for determining the tax residence of a foreign entity if the entity is otherwise considered a resident of more than one country or of no country,

“(7) exceptions from subsection (a) with respect to—

“(A) cases in which the disqualified related party amount is taxed under the laws of a foreign country other than the country of which the related party is a resident for tax purposes, and

“(B) other cases which the Secretary determines do not present a risk of eroding the Federal tax base,

“(8) requirements for record keeping and information reporting in addition to any requirements imposed by section 6038A.”.

(b) CONFORMING AMENDMENT.—The table of sections for part IX of subchapter B of chapter 1 is amended by inserting after the item relating to section 267 the following new item:

“Sec. 267A. Certain related party amounts paid or accrued in hybrid transactions or with hybrid entities.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14224. TERMINATION OF SPECIAL RULES FOR DOMESTIC INTERNATIONAL SALES CORPORATIONS.

(a) IN GENERAL.—Part IV of subchapter N of chapter 1 (relating to domestic international sales corporations) is amended by adding at the end the following new subpart:

“Subpart C—Termination

“Sec. 998. Termination of domestic international sales corporation provisions.

“SEC. 998. TERMINATION OF DOMESTIC INTERNATIONAL SALES CORPORATION PROVISIONS.

“(a) TERMINATION OF ELECTION.—Any election under section 992(b) in effect for a cor-

poration’s last taxable year beginning in 2018 shall be terminated effective for such corporation’s next succeeding taxable year.

“(b) NO NEW ELECTION.—No election may be made under section 992(b) for any taxable year beginning after December 31, 2018.

“(c) EFFECT OF TERMINATION.—A shareholder of a corporation whose election is terminated by reason of subsection (a) shall be deemed to have received a distribution to which section 995(b)(2) applies for the first taxable year for which the termination is effective. Such distribution (or any actual distribution after termination to the extent paid out of the corporation’s accumulated DISC income) shall not be treated as qualified dividend income (within the meaning of section 1(h)(11)(B)).”.

(b) CONFORMING AMENDMENT.—The table of contents for part IV of subchapter N of chapter 1 is amended by adding at the end the following new item:

“SUBPART C—TERMINATION”.

SEC. 14225. SHAREHOLDERS OF SURROGATE FOREIGN CORPORATIONS NOT ELIGIBLE FOR REDUCED RATE ON DIVIDENDS.

(a) IN GENERAL.—Section 1(h)(11)(C)(iii) is amended—

(1) by striking “shall not include any foreign corporation” and inserting “shall not include—

“(I) any foreign corporation”,

(2) by striking the period at the end and inserting “, and”, and

(3) by adding at the end the following new subclause:

“(II) any corporation which is a surrogate foreign corporation (as defined in section 7874(a)(2)(B)) other than a foreign corporation which is treated as a domestic corporation under section 7874(b).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to dividends paid in taxable years beginning after December 31, 2017.

Subpart C—Modifications Related to Foreign Tax Credit System

SEC. 14301. REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS; DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.

(a) REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS.—Subpart A of part III of subchapter N of chapter 1 is amended by striking section 902.

(b) DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.—Section 960, as amended by section 14201, is amended—

(1) by striking subsection (c), by redesignating subsection (b) as subsection (c), by striking all that precedes subsection (c) (as so redesignated) and inserting the following:

“SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLUSIONS.

“(a) IN GENERAL.—For purposes of this subpart, if there is included in the gross income of a domestic corporation any item of income under section 951(a)(1) with respect to any controlled foreign corporation with respect to which such domestic corporation is a United States shareholder, such domestic corporation shall be deemed to have paid so much of such foreign corporation’s foreign income taxes as are properly attributable to such item of income.

“(b) SPECIAL RULES FOR DISTRIBUTIONS FROM PREVIOUSLY TAXED EARNINGS AND PROFITS.—For purposes of this subpart—

“(1) IN GENERAL.—If any portion of a distribution from a controlled foreign corporation to a domestic corporation which is a United States shareholder with respect to such controlled foreign corporation is excluded from gross income under section 959(a), such domestic corporation shall be deemed to have paid so much of such foreign corporation’s foreign income taxes as—

“(A) are properly attributable to such portion, and

“(B) have not been deemed to have been paid by such domestic corporation under this section for the taxable year or any prior taxable year.

“(2) TIERED CONTROLLED FOREIGN CORPORATIONS.—If section 959(b) applies to any portion of a distribution from a controlled foreign corporation to another controlled foreign corporation, such controlled foreign corporation shall be deemed to have paid so much of such other controlled foreign corporation’s foreign income taxes as—

“(A) are properly attributable to such portion, and

“(B) have not been deemed to have been paid by a domestic corporation under this section for any prior taxable year.”.

(2) and by adding after subsection (d) (as added by section 14201) the following new subsections:

“(e) FOREIGN INCOME TAXES.—The term ‘foreign income taxes’ means any income, war profits, or excess profits taxes paid or accrued to any foreign country or possession of the United States.

“(f) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.”.

(c) CONFORMING AMENDMENTS.—

(1) Section 78, as amended by section 14201, is amended to read as follows:

“SEC. 78. GROSS UP FOR DEEMED PAID FOREIGN TAX CREDIT.

“If a domestic corporation chooses to have the benefits of subpart A of part III of subchapter N (relating to foreign tax credit) for any taxable year—

“(1) an amount equal to the taxes deemed to be paid by such corporation under subsections (a) and (b) of section 960 for such taxable year shall be treated for purposes of this title (other than section 960) as an item of income required to be included in the gross income of such domestic corporation under section 951(a), and

“(2) an amount equal to the aggregate tested foreign income taxes deemed paid by such corporation under section 960(d) (determined without regard to the phrase ‘80 percent of’ in paragraph (1) thereof) shall be treated for purposes of this title (other than section 960) as an addition to the global intangible low-taxed income of such domestic corporation under section 951A(a) for such taxable year.”.

(2) Paragraph (4) of section 245(a) is amended to read as follows:

“(4) POST-1986 UNDISTRIBUTED EARNINGS.—The term ‘post-1986 undistributed earnings’ means the amount of the earnings and profits of the foreign corporation (computed in accordance with sections 964(a) and 986) accumulated in taxable years beginning after December 31, 1986—

“(A) as of the close of the taxable year of the foreign corporation in which the dividend is distributed, and

“(B) without diminution by reason of dividends distributed during such taxable year.”.

(3) Section 245(a)(10)(C) is amended by striking “902, 907, and 960” and inserting “907 and 960”.

(4) Sections 535(b)(1) and 545(b)(1) are each amended by striking “section 902(a) or 960(a)(1)” and inserting “section 960”.

(5) Section 814(f)(1) is amended—

(A) by striking subparagraph (B), and

(B) by striking all that precedes “No income” and inserting the following:

“(1) TREATMENT OF FOREIGN TAXES.—”.

(6) Section 865(h)(1)(B) is amended by striking “902, 907,” and inserting “907”.

(7) Section 901(a) is amended by striking “sections 902 and 960” and inserting “section 960”.

(8) Section 901(e)(2) is amended by striking “but is not limited to—” and all that follows through “that portion” and inserting “but is not limited to that portion”.

(9) Section 901(f) is amended by striking “sections 902 and 960” and inserting “section 960”.

(10) Section 901(j)(1)(A) is amended by striking “902 or”.

(11) Section 901(j)(1)(B) is amended by striking “sections 902 and 960” and inserting “section 960”.

(12) Section 901(k)(2) is amended by striking “, 902,”.

(13) Section 901(k)(6) is amended by striking “902 or”.

(14) Section 901(m)(1) is amended by striking “relevant foreign assets—” and all that follows and inserting “relevant foreign assets shall not be taken into account in determining the credit allowed under subsection (a).”.

(15) Section 904(d)(6)(A) is amended by striking “902, 907,” and inserting “907”.

(16) Section 904(h)(10)(A) is amended by striking “sections 902, 907, and 960” and inserting “sections 907 and 960”.

(17) Section 904(k) is amended to read as follows:

“(k) **CROSS REFERENCES.**—For increase of limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 960(c).”.

(18) Section 905(c)(1) is amended by striking the last sentence.

(19) Section 905(c)(2)(B)(i) is amended to read as follows:

“(i) shall be taken into account for the taxable year to which such taxes relate, and”.

(20) Section 906(a) is amended by striking “(or deemed, under section 902, paid or accrued during the taxable year)”.

(21) Section 906(b) is amended by striking paragraphs (4) and (5).

(22) Section 907(b)(2)(B) is amended by striking “902 or”.

(23) Section 907(c)(3) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively, and

(B) by striking “section 960(a)” in subparagraph (A) (as so redesignated) and inserting “section 960”.

(24) Section 907(c)(5) is amended by striking “902 or”.

(25) Section 907(f)(2)(B)(i) is amended by striking “902 or”.

(26) Section 908(a) is amended by striking “902 or”.

(27) Section 909(b) is amended—

(A) by striking “section 902 corporation” in the matter preceding paragraph (1) and inserting “specified 10-percent owned foreign corporation (as defined in section 245A(b))”,

(B) by striking “902 or” in paragraph (1),

(C) by striking “by such section 902 corporation” and all that follows in the matter following paragraph (2) and inserting “by such specified 10-percent owned foreign corporation or a domestic corporation which is a United States shareholder with respect to such specified 10-percent owned foreign corporation.”, and

(D) by striking “SECTION 902 CORPORATIONS” in the heading thereof and inserting “SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS”.

(28) Section 909(d) is amended by striking paragraph (5).

(29) Section 958(a)(1) is amended by striking “960(a)(1)” and inserting “960”.

(30) Section 959(d) is amended by striking “Except as provided in section 960(a)(3), any” and inserting “Any”.

(31) Section 959(e) is amended by striking “section 960(b)” and inserting “section 960(c)”.

(32) Section 1291(g)(2)(A) is amended by striking “any distribution—” and all that follows through “but only if” and inserting “any distribution, any withholding tax imposed with respect to such distribution, but only if”.

(33) Section 6038(c)(1)(B) is amended by striking “sections 902 (relating to foreign tax credit for corporate stockholder in foreign corporation) and 960 (relating to special rules for foreign tax credit)” and inserting “section 960”.

(34) Section 6038(c)(4) is amended by striking subparagraph (C).

(35) The table of sections for subpart A of part III of subchapter N of chapter 1 is amended by striking the item relating to section 902.

(36) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 960 and inserting the following:

“Sec. 960. Deemed paid credit for subpart F inclusions.”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14302. SEPARATE FOREIGN TAX CREDIT LIMITATION BASKET FOR FOREIGN BRANCH INCOME.

(a) **IN GENERAL.**—Section 904(d)(1), as amended by section 14201, is amended by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively, and by inserting after subparagraph (A) the following new subparagraph:

“(B) foreign branch income.”.

(b) **FOREIGN BRANCH INCOME.**—

(1) **IN GENERAL.**—Section 904(d)(2) is amended by inserting after subparagraph (I) the following new subparagraph:

“(J) **FOREIGN BRANCH INCOME.**—

“(i) **IN GENERAL.**—The term ‘foreign branch income’ means the business profits of such United States person which are attributable to 1 or more qualified business units (as defined in section 989(a)) in 1 or more foreign countries. For purposes of the preceding sentence, the amount of business profits attributable to a qualified business unit shall be determined under rules established by the Secretary.

“(ii) **EXCEPTION.**—Such term shall not include any income which is passive category income.”.

(2) **CONFORMING AMENDMENT.**—Section 904(d)(2)(A)(ii), as amended by section 14201, is amended by striking “income described in paragraph (1)(A) and” and inserting “income described in paragraph (1)(A), foreign branch income, and”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14303. ACCELERATION OF ELECTION TO ALLOCATE INTEREST, ETC., ON A WORLDWIDE BASIS.

(a) **IN GENERAL.**—Section 864(f)(6) is amended by striking “December 31, 2020” and inserting “December 31, 2017”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14304. SOURCE OF INCOME FROM SALES OF INVENTORY DETERMINED SOLELY ON BASIS OF PRODUCTION ACTIVITIES.

(a) **IN GENERAL.**—Section 863(b) is amended by adding at the end the following: “Gains,

profits, and income from the sale or exchange of inventory property described in paragraph (2) shall be allocated and apportioned between sources within and without the United States solely on the basis of the production activities with respect to the property.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART II—INBOUND TRANSACTIONS

SEC. 14401. BASE EROSION AND ANTI-ABUSE TAX.

(a) **IMPOSITION OF TAX.**—Subchapter A of chapter 1 is amended by adding at the end the following new part:

“PART VII—BASE EROSION AND ANTI-ABUSE TAX

“Sec. 59A. Tax on base erosion payments of taxpayers with substantial gross receipts.

“SEC. 59A. TAX ON BASE EROSION PAYMENTS OF TAXPAYERS WITH SUBSTANTIAL GROSS RECEIPTS.

“(a) **IMPOSITION OF TAX.**—There is hereby imposed on each applicable taxpayer for any taxable year a tax equal to the base erosion minimum tax amount for the taxable year. Such tax shall be in addition to any other tax imposed by this subtitle.

“(b) **BASE EROSION MINIMUM TAX AMOUNT.**—For purposes of this section—

“(1) **IN GENERAL.**—Except as provided in paragraph (2), the term ‘base erosion minimum tax amount’ means, with respect to any applicable taxpayer for any taxable year, the excess (if any) of—

“(A) an amount equal to 10 percent of the modified taxable income of such taxpayer for the taxable year, over

“(B) an amount equal to the regular tax liability (as defined in section 26(b)) of the taxpayer for the taxable year, reduced (but not below zero) by the excess (if any) of—

“(i) the credits allowed under this chapter against such regular tax liability, over

“(ii) the credit allowed under section 38 for the taxable year which is properly allocable to the research credit determined under section 41(a).

“(2) **MODIFICATIONS FOR TAXABLE YEARS BEGINNING AFTER 2025.**—In the case of any taxable year beginning after December 31, 2025, paragraph (1) shall be applied—

“(A) by substituting ‘12.5 percent’ for ‘10 percent’ in subparagraph (A) thereof, and

“(B) by reducing (but not below zero) the regular tax liability (as defined in section 26(b)) for purposes of subparagraph (B) thereof by the aggregate amount of the credits allowed under this chapter against such regular tax liability rather than the excess described in such subparagraph.

“(c) **MODIFIED TAXABLE INCOME.**—For purposes of this section—

“(1) **IN GENERAL.**—The term ‘modified taxable income’ means the taxable income of the taxpayer computed under this chapter for the taxable year, determined without regard to—

“(A) any base erosion tax benefit with respect to any base erosion payment, or

“(B) the base erosion percentage of any net operating loss deduction allowed under section 172 for the taxable year.

“(2) **BASE EROSION TAX BENEFIT.**—

“(A) **IN GENERAL.**—The term ‘base erosion tax benefit’ means—

“(i) any deduction described in subsection (d)(1) which is allowed under this chapter for the taxable year with respect to any base erosion payment,

“(ii) in the case of a base erosion payment described in subsection (d)(2), any deduction allowed under this chapter for the taxable year for depreciation (or amortization in lieu of depreciation) with respect to the property acquired with such payment, and

“(iii) in the case of a base erosion payment described in subsection (d)(3), any reduction in gross receipts with respect to such payment in computing gross income of the taxpayer for the taxable year for purposes of this chapter.

“(B) TAX BENEFITS DISREGARDED IF TAX WITHHELD ON BASE EROSION PAYMENT.—

“(i) IN GENERAL.—Except as provided in clause (ii), any base erosion tax benefit attributable to any base erosion payment—

“(I) on which tax is imposed by section 871 or 881, and

“(II) with respect to which tax has been deducted and withheld under section 1441 or 1442,

shall not be taken into account in computing modified taxable income under paragraph (1)(A) or the base erosion percentage under paragraph (4).

“(ii) EXCEPTION.—The amount not taken into account in computing modified taxable income by reason of clause (i) shall be reduced under rules similar to the rules under section 163(j)(5)(B) (as in effect before the date of the enactment of the Tax Cuts and Jobs Act).

“(3) SPECIAL RULES FOR DETERMINING INTEREST FOR WHICH DEDUCTION ALLOWED.—For purposes of applying paragraph (1), in the case of a taxpayer to which subsection (j) or (n) of section 163 applies for the taxable year, the reduction in the amount of interest for which a deduction is allowed by reason of such subsection shall be treated as allocable first to interest paid or accrued to persons who are not related parties with respect to the taxpayer and then to such related parties.

“(4) BASE EROSION PERCENTAGE.—For purposes of paragraph (1)(B)—

“(A) IN GENERAL.—The term ‘base erosion percentage’ means, for any taxable year, the percentage determined by dividing—

“(i) the aggregate amount of base erosion tax benefits of the taxpayer for the taxable year, by

“(ii) the aggregate amount of the deductions allowable to the taxpayer under this chapter for the taxable year.

“(B) SPECIAL RULES.—The amount under subparagraph (A)(ii) shall be determined—

“(i) by taking into account base erosion tax benefits described in clauses (i) and (ii) of paragraph (2)(A), and

“(ii) by not taking into account any deduction allowed under section 172, 245A, or 250 for the taxable year.

“(d) BASE EROSION PAYMENT.—For purposes of this section—

“(1) IN GENERAL.—The term ‘base erosion payment’ means any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer and with respect to which a deduction is allowable under this chapter.

“(2) PURCHASE OF DEPRECIABLE PROPERTY.—Such term shall also include any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer in connection with the acquisition by the taxpayer from such person of property of a character subject to the allowance of depreciation (or amortization in lieu of depreciation).

“(3) CERTAIN PAYMENTS TO EXPATRIATED ENTITIES.—

“(A) IN GENERAL.—Such term shall also include any amount paid or accrued by the taxpayer with respect to a person described in subparagraph (B) which results in a reduction of the gross receipts of the taxpayer.

“(B) PERSON DESCRIBED.—A person is described in this subparagraph if such person is a—

“(i) surrogate foreign corporation which is a related party of the taxpayer, but only if

such person first became a surrogate foreign corporation after November 9, 2017, or

“(ii) foreign person which is a member of the same expanded affiliated group as the surrogate foreign corporation.

“(C) DEFINITIONS.—For purposes of this paragraph—

“(i) SURROGATE FOREIGN CORPORATION.—The term ‘surrogate foreign corporation’ has the meaning given such term by section 7874(a)(2) but does not include a foreign corporation treated as a domestic corporation under section 7874(b).

“(ii) EXPANDED AFFILIATED GROUP.—The term ‘expanded affiliated group’ has the meaning given such term by section 7874(c)(1).

“(4) EXCEPTION FOR CERTAIN AMOUNTS WITH RESPECT TO SERVICES.—Paragraph (1) shall not apply to any amount paid or accrued by a taxpayer for services if—

“(A) such services are services which meet the requirements for eligibility for use of the services cost method under section 482 (determined without regard to the requirement that the services not contribute significantly to fundamental risks of business success or failure), and

“(B) such amount constitutes the total services cost with no markup.

“(e) APPLICABLE TAXPAYER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘applicable taxpayer’ means, with respect to any taxable year, a taxpayer—

“(A) which is a corporation other than a regulated investment company, a real estate investment trust, or an S corporation,

“(B) the average annual gross receipts of which for the 3-taxable-year period ending with the preceding taxable year are at least \$500,000,000, and

“(C) the base erosion percentage (as determined under subsection (c)(4)) of which for the taxable year is 4 percent or higher.

“(2) GROSS RECEIPTS.—

“(A) SPECIAL RULE FOR FOREIGN PERSONS.—In the case of a foreign person the gross receipts of which are taken into account for purposes of paragraph (1)(B), only gross receipts which are taken into account in determining income which is effectively connected with the conduct of a trade or business within the United States shall be taken into account. In the case of a taxpayer which is a foreign person, the preceding sentence shall not apply to the gross receipts of any United States person which are aggregated with the taxpayer’s gross receipts by reason of paragraph (3).

“(B) OTHER RULES MADE APPLICABLE.—Rules similar to the rules of subparagraphs (B), (C), and (D) of section 448(c)(3) shall apply in determining gross receipts for purposes of this section.

“(3) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) of section 52 shall be treated as 1 person for purposes of this subsection and subsection (c)(4), except that in applying section 1563 for purposes of section 52, the exception for foreign corporations under section 1563(b)(2)(C) shall be disregarded.

“(f) FOREIGN PERSON.—For purposes of this section, the term ‘foreign person’ has the meaning given such term by section 6038A(c)(3).

“(g) RELATED PARTY.—For purposes of this section—

“(1) IN GENERAL.—The term ‘related party’ means, with respect to any applicable taxpayer—

“(A) any 25-percent owner of the taxpayer,

“(B) any person who is related (within the meaning of section 267(b) or 707(b)(1)) to the taxpayer or any 25-percent owner of the taxpayer, and

“(C) any other person who is related (within the meaning of section 482) to the taxpayer.

“(2) 25-PERCENT OWNER.—The term ‘25-percent owner’ means, with respect to any corporation, any person who owns at least 25 percent of—

“(A) the total voting power of all classes of stock of a corporation entitled to vote, or

“(B) the total value of all classes of stock of such corporation.

“(3) SECTION 318 TO APPLY.—Section 318 shall apply for purposes of paragraphs (1) and (2), except that—

“(A) ‘10 percent’ shall be substituted for ‘50 percent’ in section 318(a)(2)(C), and

“(B) subparagraphs (A), (B), and (C) of section 318(a)(3) shall not be applied so as to consider a United States person as owning stock which is owned by a person who is not a United States person.

“(h) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including through—

“(1) the use of unrelated persons, conduit transactions, or other intermediaries, or

“(2) transactions or arrangements designed, in whole or in part—

“(A) to characterize payments otherwise subject to this section as payments not subject to this section, or

“(B) to substitute payments not subject to this section for payments otherwise subject to this section.”.

(b) REPORTING REQUIREMENTS AND PENALTIES.—

(1) IN GENERAL.—Subsection (b) of section 6038A is amended to read as follows:

“(b) REQUIRED INFORMATION.—

“(1) IN GENERAL.—For purposes of subsection (a), the information described in this subsection is such information as the Secretary prescribes by regulations relating to—

“(A) the name, principal place of business, nature of business, and country or countries in which organized or resident, of each person which—

“(i) is a related party to the reporting corporation, and

“(ii) had any transaction with the reporting corporation during its taxable year,

“(B) the manner in which the reporting corporation is related to each person referred to in subparagraph (A), and

“(C) transactions between the reporting corporation and each foreign person which is a related party to the reporting corporation.

“(2) ADDITIONAL INFORMATION REGARDING BASE EROSION PAYMENTS.—For purposes of subsection (a) and section 6038C, if the reporting corporation or the foreign corporation to whom section 6038C applies is an applicable taxpayer, the information described in this subsection shall include—

“(A) such information as the Secretary determines necessary to determine the base erosion minimum tax amount, base erosion payments, and base erosion tax benefits of the taxpayer for purposes of section 59A for the taxable year, and

“(B) such other information as the Secretary determines necessary to carry out such section.

For purposes of this paragraph, any term used in this paragraph which is also used in section 59A shall have the same meaning as when used in such section.”.

(2) INCREASE IN PENALTY.—Paragraphs (1) and (2) of section 6038A(d) are each amended by striking “\$10,000” and inserting “\$25,000”.

(c) DISALLOWANCE OF CREDITS AGAINST BASE EROSION TAX.—Paragraph (2) of section

26(b) is amended by inserting after subparagraph (A) the following new subparagraph:

“(B) section 59A (relating to base erosion and anti-abuse tax).”.

(d) CONFORMING AMENDMENTS.—

(1) The table of parts for subchapter A of chapter 1 is amended by adding after the item relating to part VI the following new item:

“Part VII. Base erosion and anti-abuse tax”.

(2) Paragraph (1) of section 882(a), as amended by this Act, is amended by inserting “ or 59A,” after “section 11.”.

(3) Subparagraph (A) of section 6425(c)(1), as amended by sections 12001 and 13001, is amended to read as follows:

“(A) the sum of—

“(i) the tax imposed by section 11, or subchapter L of chapter 1, whichever is applicable, plus

“(ii) the tax imposed by section 59A, over”.

(4)(A) Subparagraph (A) of section 6655(g)(1), as amended by sections 12001 and 13001, is amended by striking “plus” at the end of clause (i), by redesignating clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:

“(ii) the tax imposed by section 59A, plus”.

(B) Subparagraphs (A)(i) and (B)(i) of section 6655(e)(2), as amended by section 13001, are each amended by inserting “and modified taxable income” after “taxable income”.

(C) Subparagraph (B) of section 6655(e)(2) is amended by adding at the end the following new clause:

“(iii) MODIFIED TAXABLE INCOME.—The term ‘modified taxable income’ has the meaning given such term by section 59A(c)(1).”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to base erosion payments (as defined in section 59A(d) of the Internal Revenue Code of 1986, as added by this section) paid or accrued in taxable years beginning after December 31, 2017.

PART III—OTHER PROVISIONS

SEC. 14501. TAXATION OF PASSENGER CRUISE GROSS INCOME OF FOREIGN CORPORATIONS AND NONRESIDENT ALIEN INDIVIDUALS.

(a) IN GENERAL.—Section 882 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (e) the following new subsection:

“(f) TREATMENT OF PASSENGER CRUISE GROSS INCOME.—

“(1) IN GENERAL.—For purposes of this title, the effectively connected passenger cruise gross income of a foreign corporation shall be treated as gross income which is effectively connected with the conduct of a trade or business in the United States.

“(2) EFFECTIVELY CONNECTED PASSENGER CRUISE GROSS INCOME.—For purposes of this subsection, the term ‘effectively connected passenger cruise gross income’ means, with respect to the operation of any ship in a covered voyage, the United States territorial waters percentage of the gross income (determined without regard to section 883(a)(1)) derived from such operation, including any amount received with respect to the provision of any on- or off-board activities, services, or sales, with respect to passengers incidental to such operation (or with respect to any agreement with any person with respect to the provision of any such activities, services, or sales).

“(3) UNITED STATES TERRITORIAL WATERS PERCENTAGE.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘United States territorial waters percentage’ means, with respect to the operation of any ship in any covered voyage, the ratio (expressed as a percentage) of—

“(i) the number of days during such voyage such ship was operated in the territorial waters of the United States, divided by

“(ii) the total number of days of such voyage.

“(B) CALENDAR DAY RULE.—If a ship—

“(i) is operated in a covered voyage, or

“(ii) is operated in the territorial waters of the United States during a covered voyage, for any portion of a calendar day, such ship shall be treated as having operated in a covered voyage, or as having operated in such territorial waters, respectively, for the entirety of such day.

“(C) TERRITORIAL WATERS.—The territorial waters of the United States shall be treated as consisting of those waters which are—

“(i) within the international boundary line between the United States and any contiguous foreign country, or

“(ii) within 12 nautical miles from low tide on the coastline of the United States.

“(4) COVERED VOYAGE.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘covered voyage’ has the meaning given such term by section 4472(1).

“(B) ANTI-ABUSE RULE.—Except as otherwise provided by the Secretary, if passengers embark a ship in the United States and more than 10 percent of such passengers disembark in the United States, the operation of such ship at all times between such events shall be treated as a covered voyage. Nothing in the preceding sentence shall preclude any operation of a ship (including any operation of a ship before or after such events) which would otherwise be treated as part of a covered voyage from being so treated.

“(5) TREATMENT OF OTHERWISE EFFECTIVELY CONNECTED INCOME.—Gross income which would, without regard to this subsection, be gross income which is effectively connected with the conduct of a trade or business in the United States—

“(A) shall be so treated, and

“(B) shall not be taken into account as gross income under paragraph (2).”.

(b) APPLICATION TO NONRESIDENT ALIEN INDIVIDUALS.—Section 871 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

“(n) TREATMENT OF PASSENGER CRUISE GROSS INCOME.—

“(1) IN GENERAL.—For purposes of this title, the effectively connected passenger cruise gross income of a nonresident alien individual shall be treated as gross income which is effectively connected with the conduct of a trade or business in the United States.

“(2) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) DEFINITIONS.—Terms used in this subsection which are also used in section 882(f) shall have the same meaning as when used in such section, except that section 882(f)(2) shall be applied by substituting ‘section 872(b)(1)’ for ‘section 883(a)(1)’.

“(B) TREATMENT OF OTHERWISE EFFECTIVELY CONNECTED INCOME.—Rules similar to the rules of section 882(f)(5) shall apply for purposes of this subsection.”.

(c) COORDINATION WITH RECIPROCAL EXEMPTIONS FOR SHIPPING INCOME.—

(1) IN GENERAL.—Section 883(a)(1) is amended by striking “Gross income” and inserting “Except as provided in section 882(f), gross income”.

(2) NONRESIDENT ALIEN INDIVIDUALS.—Section 872(b)(1) is amended by striking “Gross income” and inserting “Except as provided in section 871(n), gross income”.

(d) COORDINATION WITH TAX ON GROSS TRANSPORTATION INCOME.—Section 887(b)(4) is amended by adding at the end the following new flush text:

“The preceding sentence shall not apply to any United States source gross transportation income which is effectively connected

passenger cruise gross income (within the meaning of section 871(n) or 882(f)).”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14502. RESTRICTION ON INSURANCE BUSINESS EXCEPTION TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) IN GENERAL.—Section 1297(b)(2)(B) is amended to read as follows:

“(B) derived in the active conduct of an insurance business by a qualifying insurance corporation (as defined in subsection (f)).”.

(b) QUALIFYING INSURANCE CORPORATION DEFINED.—Section 1297 is amended by adding at the end the following new subsection:

“(f) QUALIFYING INSURANCE CORPORATION.—For purposes of subsection (b)(2)(B)—

“(1) IN GENERAL.—The term ‘qualifying insurance corporation’ means, with respect to any taxable year, a foreign corporation—

“(A) which would be subject to tax under subchapter L if such corporation were a domestic corporation, and

“(B) the applicable insurance liabilities of which constitute more than 25 percent of its total assets, determined on the basis of such liabilities and assets as reported on the corporation’s applicable financial statement for the last year ending with or within the taxable year.

“(2) ALTERNATIVE FACTS AND CIRCUMSTANCES TEST FOR CERTAIN CORPORATIONS.—If a corporation fails to qualify as a qualified insurance corporation under paragraph (1) solely because the percentage determined under paragraph (1)(B) is 25 percent or less, a United States person that owns stock in such corporation may elect to treat such stock as stock of a qualifying insurance corporation if—

“(A) the percentage so determined for the corporation is at least 10 percent, and

“(B) under regulations provided by the Secretary, based on the applicable facts and circumstances—

“(i) the corporation is predominantly engaged in an insurance business, and

“(ii) such failure is due solely to runoff-related or rating-related circumstances involving such insurance business.

“(3) APPLICABLE INSURANCE LIABILITIES.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘applicable insurance liabilities’ means, with respect to any life or property and casualty insurance business—

“(i) loss and loss adjustment expenses, and

“(ii) reserves (other than deficiency, contingency, or unearned premium reserves) for life and health insurance risks and life and health insurance claims with respect to contracts providing coverage for mortality or morbidity risks.

“(B) LIMITATIONS ON AMOUNT OF LIABILITIES.—Any amount determined under clause (i) or (ii) of subparagraph (A) shall not exceed the lesser of such amount—

“(i) as reported to the applicable insurance regulatory body in the applicable financial statement described in paragraph (4)(A) (or, if less, the amount required by applicable law or regulation), or

“(ii) as determined under regulations prescribed by the Secretary.

“(4) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

“(A) APPLICABLE FINANCIAL STATEMENT.—The term ‘applicable financial statement’ means a statement for financial reporting purposes which—

“(i) is made on the basis of generally accepted accounting principles,

“(ii) is made on the basis of international financial reporting standards, but only if there is no statement that meets the requirement of clause (i), or

“(iii) except as otherwise provided by the Secretary in regulations, is the annual statement which is required to be filed with the applicable insurance regulatory body, but only if there is no statement which meets the requirements of clause (i) or (ii).”

“(B) APPLICABLE INSURANCE REGULATORY BODY.—The term ‘applicable insurance regulatory body’ means, with respect to any insurance business, the entity established by law to license, authorize, or regulate such business and to which the statement described in subparagraph (A) is provided.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14503. REPEAL OF FAIR MARKET VALUE METHOD OF INTEREST EXPENSE AP-PORTIONMENT.

(a) IN GENERAL.—Paragraph (2) of section 864(e) is amended to read as follows:

“(2) GROSS INCOME AND FAIR MARKET VALUE METHODS MAY NOT BE USED FOR INTEREST.—All allocations and apportionments of interest expense shall be determined using the adjusted bases of assets rather than on the basis of the fair market value of the assets or gross income.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14504. MODIFICATION TO SOURCE RULES INVOLVING POSSESSIONS.

(a) IN GENERAL.—Subsection (b)(2) of Section 937 of the Internal Revenue Code of 1986 is amended by inserting “, but only to the extent such income is attributable to an office or fixed place of business within the United States (determined under the rules of Section 864(c)(5))” before the period at the end.

(b) SOURCE RULES FOR PERSONAL PROPERTY SALES.—Subsection (j)(3) of section 865 of the Internal Revenue Code of 1986 is amended by inserting “932,” after “931.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SEC. 14505. REPEAL OF EXCLUSION APPLICABLE TO CERTAIN PASSENGER AIRCRAFT OPERATED BY A FOREIGN CORPORATION.

(a) IN GENERAL.—Section 883 is amended—

(1) by striking “Gross income” in subsection (a)(2) and inserting “Except as provided in subsection (d), gross income”, and

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

“(d) EXCEPTION FOR AIRCRAFT OPERATED BY FOREIGN CORPORATIONS.—

“(1) IN GENERAL.—Subsection (a)(2) shall not apply to any corporation operating a passenger airline if—

“(A) the corporation is organized in a foreign country the residents of which are not eligible for a reduced rate of tax or an exemption from tax under section 881 or 882, and

“(B) such foreign country has fewer than 2 arrivals and departures, per week, from passenger airline carriers which—

“(i) are organized under the laws of the United States or any State, and

“(ii) have annual gross operational revenues of more than \$1,000,000,000.

For purposes of subparagraph (B), an aircraft that lands in one country and subsequently departs from that country shall be treated as having engaged in 1 arrival and departure.

“(2) INFLATION ADJUSTMENT.—In the case of any calendar year beginning after 2018, the dollar amount in subparagraph (A)(ii) 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, determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$1,000,000.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

Subtitle E—Revenue Dependent Proposals

SEC. 15001. REPEAL OF INCREASED LIMITATION ON NET OPERATING LOSSES.

Section 172(a)(2), as amended by section 13302, is amended by striking “(80 percent, in the case of taxable years beginning after December 31, 2022)”.

SEC. 15002. REPEAL OF LIMITATION ON DEDUCTION FOR MEALS PROVIDED AT THE CONVENIENCE OF THE EMPLOYER.

Section 274, as amended by section 13304, is amended by striking subsection (o) and redesignating subsection (p) as subsection (o).

SEC. 15003. REPEAL OF REDUCED DEDUCTION FOR GLOBAL INTANGIBLE LOW-TAXED INCOME AND FOREIGN-DE-RIVED INTANGIBLE INCOME.

Section 250(a), as added by section 14202, is amended by striking paragraph (3).

SEC. 15004. REPEAL OF MODIFICATIONS TO THE BASE EROSION AND ANTI-ABUSE TAX.

Section 59A(b), as added by section 14401, is amended to read as follows:

“(b) BASE EROSION MINIMUM TAX AMOUNT.—For purposes of this section, the term ‘base erosion minimum tax amount’ means, with respect to any applicable taxpayer for any taxable year, the excess (if any) of—

“(1) an amount equal to 10 percent of the modified taxable income of such taxpayer for the taxable year, over

“(2) an amount equal to the regular tax liability (as defined in section 26(b)) of the taxpayer for the taxable year, reduced (but not below zero) by the excess (if any) of—

“(A) the credits allowed under this chapter against such regular tax liability, over

“(B) the credit allowed under section 38 for the taxable year which is properly allocable to the research credit determined under section 41(a).”

SEC. 15005. REPEAL OF AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) IN GENERAL.—Section 174, as amended by section 13206, is amended to read as follows:

“SEC. 174. RESEARCH AND EXPERIMENTAL EXPENDITURES.

“(a) TREATMENT AS EXPENSES.—

“(1) IN GENERAL.—A taxpayer may treat research or experimental expenditures which are paid or incurred by him during the taxable year in connection with his trade or business as expenses which are not chargeable to capital account. The expenditures so treated shall be allowed as a deduction.

“(2) WHEN METHOD MAY BE ADOPTED.—

“(A) WITHOUT CONSENT.—A taxpayer may, without the consent of the Secretary, adopt the method provided in this subsection for his first taxable year for which expenditures described in paragraph (1) are paid or incurred.

“(B) WITH CONSENT.—A taxpayer may, with the consent of the Secretary, adopt at any time the method provided in this subsection.

“(3) SCOPE.—The method adopted under this subsection shall apply to all expenditures described in paragraph (1). The method adopted shall be adhered to in computing taxable income for the taxable year and for all subsequent taxable years unless, with the approval of the Secretary, a change to a different method is authorized with respect to part or all of such expenditures.

“(b) AMORTIZATION OF CERTAIN RESEARCH AND EXPERIMENTAL EXPENDITURES.—

“(1) IN GENERAL.—At the election of the taxpayer, made in accordance with regula-

tions prescribed by the Secretary, research or experimental expenditures which are—

“(A) paid or incurred by the taxpayer in connection with his trade or business,

“(B) not treated as expenses under subsection (a), and

“(C) 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),

may be treated as deferred expenses. In computing taxable income, such deferred expenses shall be allowed as a deduction ratably over such period of not less than 60 months as may be selected by the taxpayer (beginning with the month in which the taxpayer first realizes benefits from such expenditures). Such deferred expenses are expenditures properly chargeable to capital account for purposes of section 1016(a)(1) (relating to adjustments to basis of property).

“(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.

“(c) 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.

“(d) 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).

“(e) ONLY REASONABLE RESEARCH EXPENDITURES ELIGIBLE.—This section shall apply to a research or experimental expenditure only to the extent that the amount thereof is reasonable under the circumstances.

“(f) CROSS REFERENCES.—

“(1) For adjustments to basis of property for amounts allowed as deductions as deferred expenses under subsection (b), see section 1016(a)(14).

“(2) For election of 10-year amortization of expenditures allowable as a deduction under subsection (a), see section 59(e).”

(b) CHANGE IN METHOD OF ACCOUNTING.—The amendments made by subsection (a) shall be treated as a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 and—

(1) such change shall be treated as initiated by the taxpayer,

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

(3) 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, 2025, and no adjustments under section 481(a) shall be made.

(c) CONFORMING AMENDMENTS.—

(1) Section 41(d)(1)(A), as amended by section 13206, is amended by striking “specified research or experimental expenditures under section 174” and inserting “expenses under section 174”.

(2) Subsection (c) of section 280C, as amended by section 13206, is amended—

(A) by redesignating paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and

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

“(1) IN GENERAL.—No deduction shall be allowed for that portion of the qualified research expenses (as defined in section 41(b)) or basic research expenses (as defined in section 41(e)(2)) otherwise allowable as a deduction for the taxable year which is equal to the amount of the credit determined for such taxable year under section 41(a).

“(2) SIMILAR RULE WHERE TAXPAYER CAPITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

“(A) the amount of the credit determined for the taxable year under section 41(a)(1), exceeds

“(B) the amount allowable as a deduction for such taxable year for qualified research expenses or basic research expenses (determined without regard to paragraph (1)), the amount chargeable to capital account for the taxable year for such expenses shall be reduced by the amount of such excess.”, and

(C) in paragraph (3)(A)(i), as redesignated by subparagraph (A), by striking “paragraph (1)” and inserting “paragraphs (1) and (2)”.

(3) The table of sections for part VI of subchapter B of chapter 1, as amended by section 13206, is amended by striking the item related to section 174 and inserting the following:

“Sec. 174. Research and experimental expenditures.”.

SEC. 15006. REPORTING.

(a) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61, as amended by this Act, is amended by adding at the end the following new section:

“SEC. 6050Z. TRANSACTION AFFECTING REVENUE DEPENDENT PROPOSALS.

“(a) RESEARCH AND EXPERIMENTAL EXPENDITURES.—Any taxpayer who makes research and experimental expenditures (within the meaning of section 174) during a taxable year shall make a return according to the forms and regulations prescribed by the Secretary, setting forth the aggregate amount of such expenditures.

“(b) FOREIGN RELATED PARTY PAYMENTS.—Any taxpayer who makes a payment to a foreign person which is a related party (as such terms are defined in section 59A) of the taxpayer during the taxable year shall make a return according to the forms and regulations prescribed by the Secretary, setting forth—

“(1) the amount of such payments by type and separately stated, and

“(2) any amount paid which results in a reduction of gross receipts to the taxpayer.

“(c) FOREIGN-DERIVED INTANGIBLE INCOME.—Any taxpayer who has foreign-derived intangible income (as defined in section 250(b)) for a taxable year shall make a return according to the forms and regulations prescribed by the Secretary, setting forth—

“(1) the aggregate amount of such income,

“(2) the amount of foreign-derived deduction eligible income (as defined in section 250(b)(4)), and

“(3) a certification that any income described in paragraph (2) does not relate to the sale of products for any use, consumption, or disposition within the United States.”.

(b) PENALTY.—Section 6652, as amended by section 13603, is amended by adding at the end the following new subsection:

“(q) FAILURE TO FILE WITH RESPECT TO TRANSACTIONS AFFECTING REVENUE DEPENDENT PROPOSALS.—In the case of any failure to make a return required under section 6050Z containing the information required by such section on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause, there shall be paid (on notice and demand by the Secretary and in the same manner as tax) by the person failing to file such return, an amount equal to \$1,000 for each day during which such failure continues, but the total amount imposed under this subsection with respect to any return shall not exceed \$250,000.”.

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

SEC. 15007. EFFECTIVE DATE.

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

(b) REVENUE REQUIREMENT.—Notwithstanding subsection (a), the amendments made by this subtitle shall not take effect unless—

(1) the excess of—

(A) the cumulative aggregate on-budget Federal revenue from all sources for the period beginning on October 1, 2017, and ending on September 30, 2026, (as determined by the Secretary of the Treasury based on amounts reported in the Financial Report of the United States), over

(B) \$27,487,000,000,000, is greater than or equal to

(2) \$900,000,000,000.

TITLE II**SEC. 20001. OIL AND GAS PROGRAM.**

(a) DEFINITIONS.—In this section:

(1) COASTAL PLAIN.—The term “Coastal Plain” means the area identified as the 1002 Area on the plates prepared by the United States Geological Survey entitled “ANWR Map – Plate 1” and “ANWR Map – Plate 2”, dated October 24, 2017, and on file with the United States Geological Survey and the Office of the Solicitor of the Department of the Interior.

(2) SECRETARY.—The term “Secretary” means the Secretary of the Interior, acting through the Bureau of Land Management.

(b) OIL AND GAS PROGRAM.—

(1) IN GENERAL.—Section 1003 of the Alaska National Interest Lands Conservation Act (16 U.S.C. 3143) is repealed.

(2) ESTABLISHMENT.—

(A) IN GENERAL.—The Secretary shall establish and administer a competitive oil and gas program for the leasing, development, production, and transportation of oil and gas in and from the Coastal Plain.

(B) PURPOSES.—Section 303(2)(B) of the Alaska National Interest Lands Conservation Act (Public Law 96-487; 94 Stat. 2390) is amended—

(i) in clause (iii), by striking “and” at the end;

(ii) in clause (iv), by striking the period at the end and inserting “; and”; and

(iii) by adding at the end the following:

“(v) to provide for an oil and gas program on the Coastal Plain.”.

(3) MANAGEMENT.—Except as otherwise provided in this section, the Secretary shall manage the oil and gas program on the Coastal Plain in accordance with the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6501 et seq.) (including regulations).

(4) ROYALTIES.—Notwithstanding the Mineral Leasing Act (30 U.S.C. 181 et seq.), the royalty rate for leases issued pursuant to this section shall be 16.67 percent.

(5) RECEIPTS.—Notwithstanding the Mineral Leasing Act (30 U.S.C. 181 et seq.), of the amount of adjusted bonus, rental, and royalty receipts derived from the oil and gas program and operations on Federal land authorized under this section—

(A) 50 percent shall be paid to the State of Alaska; and

(B) the balance shall be deposited into the Treasury as miscellaneous receipts.

(c) 2 LEASE SALES WITHIN 10 YEARS.—

(1) REQUIREMENT.—

(A) IN GENERAL.—Subject to subparagraph (B), the Secretary shall conduct not fewer than 2 lease sales area-wide under the oil and gas program under this section by not later than 10 years after the date of enactment of this Act.

(B) SALE ACREAGES; SCHEDULE.—

(i) ACREAGES.—The Secretary shall offer for lease under the oil and gas program under this section—

(I) not fewer than 400,000 acres area-wide in each lease sale; and

(II) those areas that have the highest potential for the discovery of hydrocarbons.

(ii) SCHEDULE.—The Secretary shall offer—

(I) the initial lease sale under the oil and gas program under this section not later than 4 years after the date of enactment of this Act; and

(II) a second lease sale under the oil and gas program under this section not later than 7 years after the date of enactment of this Act.

(2) RIGHTS-OF-WAY.—The Secretary shall issue any rights-of-way or easements across the Coastal Plain for the exploration, development, production, or transportation necessary to carry out this section.

(3) SURFACE DEVELOPMENT.—In administering this section, the Secretary shall authorize up to 2,000 surface acres of Federal land on the Coastal Plain to be covered by production and support facilities (including airstrips and any area covered by gravel berms or piers for support of pipelines) during the term of the leases under the oil and gas program under this section.

SEC. 20002. 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; Public Law 109-432) is amended by striking “exceed \$500,000,000 for each of fiscal years 2016 through 2055.” and inserting the following: “exceed—

“(A) \$500,000,000 for each of fiscal years 2016 through 2019;

“(B) \$650,000,000 for each of fiscal years 2020 and 2021; and

“(C) \$500,000,000 for each of fiscal years 2022 through 2055.”.

SEC. 20003. STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE.

(a) DRAWDOWN AND SALE.—

(1) IN GENERAL.—Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), except as provided in subsections (b) and (c), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve 5,000,000 barrels of crude oil during the period of fiscal years 2026 through 2027.

(2) DEPOSIT OF AMOUNTS RECEIVED FROM SALE.—Amounts received from a sale under paragraph (1) shall be deposited in the general fund of the Treasury during the fiscal year in which the sale occurs.

(b) EMERGENCY PROTECTION.—The Secretary of Energy shall not draw down and sell crude oil under subsection (a) in a quantity that would limit the authority to sell petroleum products under subsection (h) of section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241) in the full quantity authorized by that subsection.

(c) LIMITATION.—The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which a total of \$325,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection.

SA 1619. Mr. DAINES (for himself and Ms. MURKOWSKI) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part IV of subtitle A of title I, insert the following:

SEC. 11033. DISTRIBUTIONS FROM 529S FOR REGISTERED APPRENTICESHIP PROGRAMS.

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

“(C) CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—The term ‘qualified higher education expenses’ shall include books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions made and distributions paid after December 31, 2017.

SA 1620. Mr. INHOFE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 186, line 6, insert “provided such trade or business includes the provision of electrical energy,” after “pipeline.”

SA 1621. Mr. INHOFE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. _____ . OPTION FOR STATE REGULATION OF HYDRAULIC FRACTURING.

(a) DEFINITIONS.—In this section, the term “Federal land” means—

(1) public lands (as defined in section 103 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1702)); and

(2) land under the jurisdiction of the Bureau of Reclamation.

(b) OPTION OF STATE REGULATION.—On payment to the Secretary of the Interior of a fee of \$1,000 per well, the operator of a well on any Federal land within the boundaries of the State may opt into the State regulatory scheme under which the State shall have the sole authority to promulgate or enforce any regulation, guidance, or permit requirement

relating to the treatment of the well by the application of fluids under pressure to which propping agents may or may not be added for the expressly designed purpose of initiating or propagating fractures in a target geologic formation in order to enhance production of oil, natural gas, or geothermal production activities.

SA 1622. Mr. PAUL (for himself and Mr. KENNEDY) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. 1 _____ . FLOOR PLAN FINANCING.

(a) APPLICATION OF INTEREST LIMITATION.—

(1) IN GENERAL.—Section 163(j), as amended by section 13301, is amended—

(A) in paragraph (1), by striking “plus” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, plus”, and by inserting after subparagraph (B) the following new subparagraph:

“(C) the floor plan financing interest of such taxpayer for such taxable year.”

(B) in paragraph (4)(C)(i)(II), by inserting “, reduced by the floor plan financing interest,” after “business interest of the partnership”, and

(C) by redesignating paragraph (9) as paragraph (10) and inserting after paragraph (8) the following new paragraph:

“(9) FLOOR PLAN FINANCING INTEREST DEFINED.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘floor plan financing interest’ means interest paid or accrued on floor plan financing indebtedness.

“(B) FLOOR PLAN FINANCING INDEBTEDNESS.—The term ‘floor plan financing indebtedness’ means indebtedness—

“(i) used to finance the acquisition of motor vehicles held for sale or lease, and

“(ii) secured by the inventory so acquired.

“(C) MOTOR VEHICLE.—The term ‘motor vehicle’ means a motor vehicle that is any of the following:

“(i) An automobile.

“(ii) A truck.

“(iii) A recreational vehicle.

“(iv) A motorcycle.

“(v) Any self-propelled vehicle designed for transporting persons or property on a public street, highway, or road.

“(vi) A boat.

“(vii) Farm machinery or equipment.”

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) EXCEPTION FROM 100 PERCENT EXPENSES.—

(1) IN GENERAL.—Paragraph (6) of section 168(k), as added by section 13201(a)(4), is amended—

(A) by striking “shall not include any property” and inserting “shall not include—

“(A) any property”, and

(B) by adding at the end the following new subparagraph:

“(B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.”

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to prop-

erty placed in service after September 27, 2017, in taxable years ending after such date.

SA 1623. Mr. PAUL (for himself and Mr. WICKER) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subtitle D of title I, add the following:

PART IV—REPEAL OF FOREIGN ACCOUNT TAX COMPLIANCE ACT

SEC. 14601. REPEAL OF WITHHOLDING AND REPORTING WITH RESPECT TO CERTAIN FOREIGN ACCOUNTS.

(a) IN GENERAL.—Chapter 4 is repealed.

(b) CONFORMING AMENDMENTS FOR RULES FOR ELECTRONICALLY FILED RETURNS.—Section 6011(e)(4) is amended—

(1) by inserting “, as in effect on January 1, 2017” after “(as defined in section 1471(d)(5))”, and

(2) by striking “or 1474(a)”.

(c) CONFORMING AMENDMENT RELATED TO SUBSTITUTE DIVIDENDS.—Section 871(m) is amended by striking “chapters 3 and 4” both places it appears and inserting “chapter 3”.

(d) OTHER CONFORMING AMENDMENTS.—

(1) Section 6414 s amended by striking “or 4”.

(2) Paragraph (1) of section 6501(b) is amended by striking “4.”.

(3) Paragraph (2) of section 6501(b) is amended—

(A) by striking “4.”, and

(B) by striking “AND WITHHOLDING TAXES” in the heading and inserting “TAXES AND TAX IMPOSED BY CHAPTER 3”.

(4) Paragraph (3) of section 6513(b) is amended—

(A) by striking “or 4”, and

(B) by striking “or 1474(b)”.

(5) Section 6513(c) is amended by striking “4.”.

(6) Section 6611(e)(4) is amended by striking “or 4”.

(7) Paragraph (1) of section 6724(d) is amended by striking “under chapter 4 or”.

(8) Paragraph (2) of section 6724(d) is amended by striking “or 4”.

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

SEC. 14602. REPEAL OF INFORMATION REPORTING WITH RESPECT TO FOREIGN FINANCIAL ASSETS.

(a) IN GENERAL.—Subpart A of part III of subchapter A of chapter 61 is amended by striking section 6038D.

(b) REPEAL OF MODIFICATION OF STATUTE OF LIMITATIONS FOR SIGNIFICANT OMISSION OF INCOME IN CONNECTION WITH FOREIGN ASSETS.—

(1) Paragraph (1) of section 6501(e) is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(2) Subparagraph (A) of section 6501(e), as redesignated by paragraph (1), is amended by striking all that precedes clause (i) and inserting the following:

“(A) GENERAL RULE.—If the taxpayer omits from gross income an amount properly included therein which is in excess of 25 percent of the amount of gross income stated in the return, the tax may be assessed, or a proceeding in court for the collection of such tax may be begun without assessment, at any time within 6 years after the return was filed. For purposes of this subparagraph—”

(3) Paragraph (2) of section 6229(c) is amended by striking “and such amount is described in clause (i) or (ii) of section 6501(e)(1)(A)” and inserting “which is in excess of 25 percent of the amount of gross income stated in its return”.

(4) Paragraph (8) of section 6501(c) is amended—

(A) by striking “pursuant to an election under section 1295(b) or”;

(B) by striking “1298(f)”, and

(C) by striking “6038D.”.

(c) CLERICAL AMENDMENT.—The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by striking the item related to section 6038D.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) RETURNS.—The amendments made by subsection (b) shall apply to returns filed after the date of the enactment of this Act.

SEC. 14603. REPEAL OF PENALTIES FOR UNDERPAYMENTS ATTRIBUTABLE TO UNDISCLOSED FOREIGN FINANCIAL ASSETS.

(a) IN GENERAL.—Section 6662 is amended—

(1) in subsection (b), by striking paragraph (7) and redesignating paragraph (8) as paragraph (7), and

(2) by striking subsection (j) and redesignating subsection (k) as subsection (j).

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

SEC. 14604. REPEAL OF REPORTING OF ACTIVITIES WITH RESPECT TO PASSIVE FOREIGN INVESTMENT COMPANIES.

(a) IN GENERAL.—Section 1298 is amended by striking subsection (f) and by redesignating subsection (g) as subsection (f).

(b) CONFORMING AMENDMENT.—Section 1291(e) is amended by striking “and (d)” and inserting “, (d), and (f)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 14605. REPEAL OF REPORTING REQUIREMENT FOR UNITED STATES OWNERS OF FOREIGN TRUSTS.

(a) IN GENERAL.—Paragraph (1) of section 6048(b) is amended by striking “shall submit such information as the Secretary may prescribe with respect to such trust for such year and”.

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

SEC. 14606. REPEAL OF MINIMUM PENALTY WITH RESPECT TO FAILURE TO REPORT ON CERTAIN FOREIGN TRUSTS.

(a) IN GENERAL.—Section 6677(a) is amended—

(1) by striking “the greater of \$10,000 or”, and

(2) by striking the last sentence and inserting the following: “In no event shall the penalty under this subsection with respect to any failure exceed the gross reportable amount.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to notices and returns required to be filed after the date of the enactment of this Act.

SA 1624. Mr. HOEVEN submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the

concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subpart A of part V of sub-title C of title I, add the following:

SEC. 13405. EXTENSION OF REFINED COAL PRODUCTION TAX CREDIT.

(a) EXTENSION OF PERIOD DURING WHICH REFINED COAL CAN BE PRODUCED.—Section 45(e)(8) is amended by adding at the end the following new subparagraph:

“(E) EXTENSION OF CREDIT PERIOD FOR CERTAIN REFINED COAL FACILITIES.—In the case of a refined coal production facility which does not produce steel industry fuel and which is placed in service before January 1, 2012, clauses (i) and (ii)(II) of subparagraph (A) shall each be applied by substituting ‘20-year period’ for ‘10-year period’.”.

(b) EXTENSION OF PERIOD DURING WHICH REFINED COAL FACILITIES CAN BE QUALIFIED.—Subparagraph (B) of section 45(d)(8) is amended—

(1) by striking “placed in service after” and inserting “placed in service—

“(i) after”;

(2) by striking the period at the end and inserting “, or”, and

(3) by adding at the end the following new clause:

“(ii) after December 31, 2017, and before January 1, 2021.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to coal produced and sold after the date of the enactment of this Act, in taxable years ending after date.

SA 1625. Mr. HOEVEN (for himself, Mr. DAINES, and Mr. WICKER) submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . SECURE GEOLOGICAL STORAGE OF CARBON DIOXIDE.

(a) IN GENERAL.—Paragraph (2) of section 45Q(d) is amended to read as follows:

“(2) SECURE GEOLOGICAL STORAGE.—

“(A) IN GENERAL.—Not later than December 31, 2018, the Secretary shall establish regulations for determining adequate security measures for the geological storage of carbon dioxide under paragraph (1)(B) or (2)(C) of subsection (a) such that the carbon dioxide does not escape into the atmosphere.

“(B) REQUIREMENTS.—The regulations established pursuant to subparagraph (A) shall provide that—

“(i) for purposes of paragraph (1)(B) of subsection (a), carbon dioxide shall be considered disposed of in secure geological storage if such carbon dioxide is stored in compliance with rules promulgated by the Environmental Protection Agency under subpart RR of part 98 of title 40, Code of Federal Regulations (as in effect on the date of the enactment of this paragraph), under the Clean Air Act (42 U.S.C. 7401 et seq.) and rules under the Safe Drinking Water Act (42 U.S.C. 300f et seq.) which are applicable to carbon dioxide disposed of in secure geological storage and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project, and

“(ii) for purposes of paragraph (2)(C) of subsection (a), carbon dioxide shall be considered disposed of in secure geological storage if such carbon dioxide is stored in compli-

ance with rules promulgated by the Environmental Protection Agency which are applicable to carbon dioxide used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project under—

“(I) subpart UU of part 98 of title 40, Code of Federal Regulations (as in effect on the date of the enactment of this paragraph), under the Clean Air Act, and

“(II) subpart C of part 146 of title 40, Code of Federal Regulations (as in effect on the date of the enactment of this paragraph), under the Safe Drinking Water Act, to the extent such rules are applicable to Class II wells.”.

(b) QUALIFIED ENHANCED OIL OR NATURAL GAS RECOVERY PROJECT.—Paragraph (4) of section 45Q(d) is amended—

(1) by striking “by substituting” and inserting “determined—

“(A) by substituting—”,

(2) by striking the period and inserting “, and”, and

(3) by inserting at the end the following:

“(B) without regard to subparagraph (A)(iii) thereof.”.

SA 1626. Mr. DAINES submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . PERMANENT EXTENSION OF INDIAN COAL PRODUCTION TAX CREDIT.

(a) IN GENERAL.—Section 45(e)(10)(A) is amended by striking “per ton of Indian coal—” and all that follows and inserting the following: “per ton of Indian coal—

“(i) produced by the taxpayer at an Indian coal production facility, and

“(ii) sold (either directly by the taxpayer or after sale or transfer to one or more related persons) to an unrelated person.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to coal produced and sold after January 1, 2017.

SA 1627. Mr. CORNYN (for himself, Mr. INHOFE, and Mr. ROBERTS) submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

In section 11011, after subsection (a), insert the following:

(b) APPLICATION TO PUBLICLY TRADED PARTNERSHIPS.—

(1) IN GENERAL.—Section 199A(b)(1)(B), as added by subsection (a), is amended by striking “and qualified cooperative dividends” and inserting “, qualified cooperative dividends, and qualified publicly traded partnership income”.

(2) QUALIFIED PUBLICLY TRADED PARTNERSHIP INCOME.—Section 199A(e), as added by subsection (a), is amended by adding at the end the following new paragraph:

“(5) QUALIFIED PUBLICLY TRADED PARTNERSHIP INCOME.—The term ‘qualified publicly traded partnership income’ means, with respect to any taxpayer, the sum of—

“(A) the net amount of such taxpayer’s allocable share of each qualified item of income, gain, deduction, and loss (as defined in subsection (c)(3) and determined after the application of subsection (c)(4)) from a publicly traded partnership (as defined in section 7704(a)) which is not treated as a corporation under section 7704(c), plus

“(B) any gain recognized by such taxpayer upon disposition of its interest in such partnership to the extent such gain is treated as an amount realized from the sale or exchange of property other than a capital asset under section 751(a).”

(3) CONFORMING AMENDMENT.—Section 199A(c)(1), as added by subsection (a), is amended by adding at the end the following new sentence: “Such term shall not include any qualified publicly traded partnership income.”

SA 1628. Mr. CORNYN (for himself and Mr. CASSIDY) submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subpart C of part I of subtitle D, insert the following:

SEC. 14305. EXTENSION OF CARRYOVER PERIOD FOR FOREIGN TAXES PAID IN QUALIFIED TAXABLE YEARS WITH OVERALL DOMESTIC LOSS.

(a) IN GENERAL.—Section 904(c) is amended—

(1) by striking “Any amount” and inserting the following:

“(1) IN GENERAL.—Any amount”, and

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

“(2) EXTENSION OF CARRYOVER PERIOD FOR FOREIGN TAXES PAID IN QUALIFIED TAXABLE YEARS WITH OVERALL DOMESTIC LOSS.—

“(A) IN GENERAL.—If a taxpayer had an overall domestic loss for any qualified taxable year beginning after December 31, 2006, and before January 1, 2018, then, notwithstanding the 10-year carryover period under paragraph (1), the taxpayer may carryover any related excess foreign taxes with respect to such qualified taxable year to any succeeding taxable year beginning after such period and before January 1, 2028, to the extent such taxes were not deemed paid or accrued under this subsection in a prior taxable year.

“(B) RELATED EXCESS FOREIGN TAXES.—For purposes of this paragraph, the term ‘related excess foreign taxes’ means, with respect to any qualified taxable year described in paragraph (1), an amount equal to the lesser of—

“(i) the sum of the foreign taxes paid or accrued to foreign countries or possessions of the United States with respect to such taxable year, plus the amount of any such foreign taxes carried to such year under paragraph (1), or

“(ii) the product of—

“(I) the taxpayer’s overall domestic loss with respect to such taxable year, multiplied by

“(II) the proportion determined under subsection (a) for such taxable year.

For purposes of this subparagraph, foreign oil and gas taxes (as defined in section 907(b)(2)) shall be taken into account for a qualified taxable year to the extent that the overall domestic loss for such taxable year offset combined foreign oil and gas income (as defined in section 907(b)(1)).

“(C) DEFINITIONS.—Any term used in this paragraph which is also used in subsection

(g) shall have the same meaning as when used in such subsection.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to carryovers from taxable years beginning before January 1, 2018, to taxable years beginning after December 31, 2017.

SA 1629. Ms. MURKOWSKI submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part VIII of subtitle C of title I, insert the following:

SEC. 13709. NONPROFIT COMMUNITY DEVELOPMENT ACTIVITIES IN REMOTE NATIVE VILLAGES.

(a) IN GENERAL.—For purposes of subchapter F of chapter 1 of the Internal Revenue Code of 1986, any activity substantially related to participation and investment in fisheries in the Bering Sea and Aleutian Islands Management Area (as defined in section 205 of the American Fisheries Act (16 U.S.C. 1851 note)) carried on by an entity identified in section 305(i)(1)(D) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1855(i)(1)(D)) (as in effect on the date of enactment of this section) shall be considered substantially related to the exercise or performance of the purpose constituting the basis of such entity’s exemption under section 501(a) of such Code if the conduct of such activity is in furtherance of 1 or more of the purposes specified in section 305(i)(1)(A) of such Act. For purposes of this paragraph, activities substantially related to participation or investment in fisheries include the harvesting, processing, transportation, sales, and marketing of fish and fish products of the Bering Sea and Aleutian Islands Management Area.

(b) APPLICATION TO CERTAIN WHOLLY OWNED SUBSIDIARIES.—If the assets of a trade or business relating to an activity described in subsection (a) of any subsidiary wholly owned by an entity identified in section 305(i)(1)(D) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1855(i)(1)(D)) are transferred to such entity (including in liquidation of such subsidiary) not later than 18 months after the date of the enactment of this Act—

(1) no gain or income resulting from such transfer shall be recognized to either such subsidiary or such entity under such Code, and

(2) all income derived from such subsidiary from such transferred trade or business shall be exempt from taxation under such Code.

(c) EFFECTIVE DATE.—This section shall be effective during the existence of the western Alaska community development quota program established by Section 305(i)(1) of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1855(i)(1)), as amended.

SA 1630. Ms. MURKOWSKI submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13821 and insert the following:

SEC. 13821. MODIFICATION OF TAX TREATMENT OF ALASKA NATIVE CORPORATIONS AND SETTLEMENT TRUSTS.

(a) EXCLUSION FOR ANCSA PAYMENTS ASSIGNED TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by inserting before section 140 the following new section:

“SEC. 139G. ASSIGNMENTS TO ALASKA NATIVE SETTLEMENT TRUSTS.

“(a) IN GENERAL.—In the case of a Native Corporation, gross income shall not include the value of any payments that would otherwise be made, or treated as being made, to such Native Corporation pursuant to, or as required by, any provision of the Alaska Native Claims Settlement Act (43 U.S.C. 1601 et seq.), including any payment that would otherwise be made to a Village Corporation pursuant to section 7(j) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(j)), provided that any such payments—

“(1) are assigned in writing to a Settlement Trust, and

“(2) were not received by such Native Corporation prior to the assignment described in paragraph (1).

“(b) INCLUSION IN GROSS INCOME.—In the case of a Settlement Trust which has been assigned payments described in subsection (a), gross income shall include such payments when received by such Settlement Trust pursuant to the assignment and shall have the same character as if such payments were received by the Native Corporation.

“(c) AMOUNT AND SCOPE OF ASSIGNMENT.—The amount and scope of any assignment under subsection (a) shall be described with reasonable particularity and may either be in a percentage of one or more such payments or in a fixed dollar amount.

“(d) DURATION OF ASSIGNMENT; REVOCABILITY.—Any assignment under subsection (a) shall specify—

“(1) a duration either in perpetuity or for a period of time, and

“(2) whether such assignment is revocable.

“(e) PROHIBITION ON DEDUCTION.—Notwithstanding section 247, no deduction shall be allowed to a Native Corporation for purposes of any amounts described in subsection (a).

“(f) DEFINITIONS.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning given such terms under section 646(h).”

(2) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting before the item relating to section 140 the following new item:

“Sec. 139G. Assignments to Alaska Native Settlement Trusts.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

(b) DEDUCTION OF CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by inserting before section 248 the following new section:

“SEC. 247. CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.

“(a) IN GENERAL.—In the case of a Native Corporation, there shall be allowed a deduction for any contributions made by such Native Corporation to a Settlement Trust (regardless of whether an election under section 646 is in effect for such Settlement Trust) for which the Native Corporation has made an annual election under subsection (e).

“(b) AMOUNT OF DEDUCTION.—The amount of the deduction under subsection (a) shall be equal to—

“(1) in the case of a cash contribution (regardless of the method of payment, including currency, coins, money order, or check), the amount of such contribution, or

“(2) in the case of a contribution not described in paragraph (1), the lesser of—

“(A) the Native Corporation’s adjusted basis in the property contributed, or

“(B) the fair market value of the property contributed.

“(C) LIMITATION AND CARRYOVER.—

“(1) IN GENERAL.—Subject to paragraph (2), the deduction allowed under subsection (a) for any taxable year shall not exceed the taxable income (as determined without regard to such deduction) of the Native Corporation for the taxable year in which the contribution was made.

“(2) CARRYOVER.—If the aggregate amount of contributions described in subsection (a) for any taxable year exceeds the limitation under paragraph (1), such excess shall be treated as a contribution described in subsection (a) in each of the 15 succeeding years in order of time.

“(d) DEFINITIONS.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning given such terms under section 646(h).

“(e) MANNER OF MAKING ELECTION.—

“(1) IN GENERAL.—For each taxable year, a Native Corporation may elect to have this section apply for such taxable year on the income tax return or an amendment or supplement to the return of the Native Corporation, with such election to have effect solely for such taxable year.

“(2) REVOCATION.—Any election made by a Native Corporation pursuant to this subsection may be revoked pursuant to a timely filed amendment or supplement to the income tax return of such Native Corporation.

“(f) ADDITIONAL RULES.—

“(1) EARNINGS AND PROFITS.—Notwithstanding section 646(d)(2), in the case of a Native Corporation which claims a deduction under this section for any taxable year, the earnings and profits of such Native Corporation for such taxable year shall be reduced by the amount of such deduction.

“(2) GAIN OR LOSS.—No gain or loss shall be recognized by the Native Corporation with respect to a contribution of property for which a deduction is allowed under this section.

“(3) INCOME.—Subject to subsection (g), a Settlement Trust shall include in income the amount of any deduction allowed under this section in the taxable year in which the Settlement Trust actually receives such contribution.

“(4) PERIOD.—The holding period under section 1223 of the Settlement Trust shall include the period the property was held by the Native Corporation.

“(5) BASIS.—The basis that a Settlement Trust has for which a deduction is allowed under this section shall be equal to the lesser of—

“(A) the adjusted basis of the Native Corporation in such property immediately before such contribution, or

“(B) the fair market value of the property immediately before such contribution.

“(6) PROHIBITION.—No deduction shall be allowed under this section with respect to any contributions made to a Settlement Trust which are in violation of subsection (a)(2) or (c)(2) of section 39 of the Alaska Native Claims Settlement Act (43 U.S.C. 1629e).

“(g) ELECTION BY SETTLEMENT TRUST TO DEFER INCOME RECOGNITION.—

“(1) IN GENERAL.—In the case of a contribution which consists of property other than cash, a Settlement Trust may elect to defer recognition of any income related to such property until the sale or exchange of such property, in whole or in part, by the Settlement Trust.

“(2) TREATMENT.—In the case of property described in paragraph (1), any income or

gain realized on the sale or exchange of such property shall be treated as—

“(A) for such amount of the income or gain as is equal to or less than the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer’s election under this subsection, ordinary income, and

“(B) for any amounts of the income or gain which are in excess of the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer’s election under this subsection, having the same character as if this subsection did not apply.

“(3) ELECTION.—

“(A) IN GENERAL.—For each taxable year, a Settlement Trust may elect to apply this subsection for any property described in paragraph (1) which was contributed during such year. Any property to which the election applies shall be identified and described with reasonable particularity on the income tax return or an amendment or supplement to the return of the Settlement Trust, with such election to have effect solely for such taxable year.

“(B) REVOCATION.—Any election made by a Settlement Trust pursuant to this subsection may be revoked pursuant to a timely filed amendment or supplement to the income tax return of such Settlement Trust.

“(C) CERTAIN DISPOSITIONS.—

“(i) IN GENERAL.—In the case of any property for which an election is in effect under this subsection and which is disposed of within the first taxable year subsequent to the taxable year in which such property was contributed to the Settlement Trust—

“(I) this section shall be applied as if the election under this subsection had not been made,

“(II) any income or gain which would have been included in the year of contribution under subsection (f)(3) but for the taxpayer’s election under this subsection shall be included in income for the taxable year of such contribution, and

“(III) the Settlement Trust shall pay any increase in tax resulting from such inclusion, including any applicable interest, and increased by 10 percent of the amount of such increase with interest.

“(ii) ASSESSMENT.—Notwithstanding section 6501(a), any amount described in subclause (III) of clause (i) may be assessed, or a proceeding in court with respect to such amount may be initiated without assessment, within 4 years after the date on which the return making the election under this subsection for such property was filed.”

(2) CONFORMING AMENDMENT.—The table of sections for part VIII of subchapter B of chapter 1 is amended by inserting before the item relating to section 248 the following new item:

“Sec. 247. Contributions to Alaska Native Settlement Trusts.”

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to taxable years for which the period of limitation on refund or credit under section 6511 of the Internal Revenue Code of 1986 has not expired.

(B) ONE-YEAR WAIVER OF STATUTE OF LIMITATIONS.—If the period of limitation on a credit or refund resulting from the amendments made by paragraph (1) expires before the end of the 1-year period beginning on the date of the enactment of this Act, refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefor is filed before the close of such 1-year period.

(C) INFORMATION REPORTING FOR DEDUCTIBLE CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Section 6039H is amended—

(A) in the heading, by striking “SPONSORING”, and

(B) by adding at the end the following new subsection:

“(e) DEDUCTIBLE CONTRIBUTIONS BY NATIVE CORPORATIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

“(1) IN GENERAL.—Any Native Corporation (as defined in subsection (m) of section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1602(m))) which has made a contribution to a Settlement Trust (as defined in subsection (t) of such section) to which an election under subsection (e) of section 247 applies shall provide such Settlement Trust with a statement regarding such election not later than January 31 of the calendar year subsequent to the calendar year in which the contribution was made.

“(2) CONTENT OF STATEMENT.—The statement described in paragraph (1) shall include—

“(A) the total amount of contributions to which the election under subsection (e) of section 247 applies,

“(B) for each contribution, whether such contribution was in cash,

“(C) for each contribution which consists of property other than cash, the date that such property was acquired by the Native Corporation and the adjusted basis and fair market value of such property on the date such property was contributed to the Settlement Trust,

“(D) the date on which each contribution was made to the Settlement Trust, and

“(E) such information as the Secretary determines to be necessary or appropriate for the identification of each contribution and the accurate inclusion of income relating to such contributions by the Settlement Trust.”

(2) CONFORMING AMENDMENT.—The item relating to section 6039H in the table of sections for subpart A of part III of subchapter A of chapter 61 is amended to read as follows:

“Sec. 6039H. Information With Respect to Alaska Native Settlement Trusts and Native Corporations.”

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

SA 1631. Mr. ROBERTS (for himself, Mr. THUNE, and Mr. GRASSLEY) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page ____, strike lines ____ through ____, and insert the following:

“(C) ELECTING FARMING BUSINESS.—For purposes of this paragraph, the term ‘electing farming business’ means—

“(i) a farming business (as defined in section 263A(e)(4)) which makes an election under this subparagraph, or

“(ii) any trade or business of a specified agricultural or horticultural cooperative (as defined in section 199A(g)(2)) with respect to which the cooperative makes an election under this subparagraph.

Any such election shall be made at such time and in such manner as the Secretary shall prescribe, and, once made, shall be irrevocable.”

SA 1632. Mr. ROBERTS submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for

reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subpart B of part V of subtitle C of title I, insert the following:

SEC. 13417. TREATMENT OF VETERANS' PREFERENCE AS NOT VIOLATING GENERAL PUBLIC USE REQUIREMENTS.

(a) IN GENERAL.—Subparagraph (C) of section 42(g)(9) is amended to read as follows:

“(C) who are veterans of the Armed Forces.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to buildings placed in service before, on, or after the date of the enactment of this Act.

SEC. 13418. INCREASE IN CREDIT FOR CERTAIN RURAL HOUSING.

(a) IN GENERAL.—Section 42(d)(5)(B) is amended by adding at the end the following new clause:

“(vi) CERTAIN NEW BUILDINGS IN RURAL AREAS.—For purposes of clause (i), a building described in subsection (b)(1)(B)(i) which is located in a rural area (as defined in section 520 of the Housing Act of 1949) shall be treated in the same manner as a new building located in a difficult development area which is designated for purposes of this subparagraph.”.

(b) OFFSET.—Section 42(d)(5)(B)(i) is amended by striking “130 percent” both places it appears in subclauses (I) and (II) and inserting “125 percent”.

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

SA 1633. Mr. ISAKSON (for himself, Mr. PERDUE, Mr. GRAHAM, Mr. SCOTT, Mr. SHELBY, and Mr. STRANGE) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . MODIFICATIONS OF CREDIT FOR PRODUCTION FROM ADVANCED NUCLEAR POWER FACILITIES.

(a) TREATMENT OF UNUTILIZED LIMITATION AMOUNTS.—Section 45J(b) is amended—

(1) in paragraph (4), by inserting “or any amendment to” after “enactment of”; and

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

“(5) ALLOCATION OF UNUTILIZED LIMITATION.—

“(A) IN GENERAL.—Any unutilized national megawatt capacity limitation shall be allocated by the Secretary under paragraph (3) as rapidly as is practicable after December 31, 2020—

“(i) first to facilities placed in service on or before such date to the extent that such facilities did not receive an allocation equal to their full nameplate capacity; and

“(ii) then to facilities placed in service after such date in the order in which such facilities are placed in service.

“(B) UNUTILIZED NATIONAL MEGAWATT CAPACITY LIMITATION.—The term ‘unutilized national megawatt capacity limitation’ means the excess (if any) of—

“(i) 6,000 megawatts, over

“(ii) the aggregate amount of national megawatt capacity limitation allocated by the Secretary before January 1, 2021, reduced by any amount of such limitation which was allocated to a facility which was not placed in service before such date.

“(C) COORDINATION WITH OTHER PROVISIONS.—In the case of any unutilized national megawatt capacity limitation allocated by the Secretary pursuant to this paragraph—

“(i) such allocation shall be treated for purposes of this section in the same manner as an allocation of national megawatt capacity limitation; and

“(ii) subsection (d)(1)(B) shall not apply to any facility which receives such allocation.”.

(b) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—

(1) IN GENERAL.—Section 45J is amended—

(A) by redesignating subsection (e) as subsection (f); and

(B) by inserting after subsection (d) the following new subsection:

“(e) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—

“(1) IN GENERAL.—If, with respect to a credit under subsection (a) for any taxable year—

“(A) the taxpayer would be a qualified public entity; and

“(B) such entity elects the application of this paragraph for such taxable year with respect to all (or any portion specified in such election) of such credit,

the eligible project partner specified in such election (and not the qualified public entity) shall be treated as the taxpayer for purposes of this title with respect to such credit (or such portion thereof).

“(2) DEFINITIONS.—For purposes of this subsection—

“(A) QUALIFIED PUBLIC ENTITY.—The term ‘qualified public entity’ means—

“(i) a Federal, State, or local government entity, or any political subdivision, agency, or instrumentality thereof;

“(ii) a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2); or

“(iii) a not-for-profit electric utility which has or had received a loan or loan guarantee under the Rural Electrification Act of 1936.

“(B) ELIGIBLE PROJECT PARTNER.—The term ‘eligible project partner’ means—

“(i) any person responsible for, or participating in, the design or construction of the advanced nuclear power facility to which the credit under subsection (a) relates;

“(ii) any person who participates in the provision of the nuclear steam supply system to the advanced nuclear power facility to which the credit under subsection (a) relates;

“(iii) any person who participates in the provision of nuclear fuel to the advanced nuclear power facility to which the credit under subsection (a) relates;

“(iv) any person who has an ownership interest in such facility; or

“(v) any financial institution which provides financing for the construction or operation of the advanced nuclear power facility to which the credit under subsection (a) relates.

“(3) SPECIAL RULES.—

“(A) APPLICATION TO PARTNERSHIPS.—In the case of a credit under subsection (a) which is determined at the partnership level—

“(i) for purposes of paragraph (1)(A), a qualified public entity shall be treated as the taxpayer with respect to such entity’s distributive share of such credit; and

“(ii) the term ‘eligible project partner’ shall include any partner of the partnership.

“(B) TAXABLE YEAR IN WHICH CREDIT TAKEN INTO ACCOUNT.—In the case of any credit (or portion thereof) with respect to which an election is made under paragraph (1), such credit shall be taken into account in the first taxable year of the eligible project partner ending with, or after, the qualified public entity’s taxable year with respect to which the credit was determined.

“(C) TREATMENT OF TRANSFER UNDER PRIVATE USE RULES.—For purposes of section

141(b)(1), any benefit derived by an eligible project partner in connection with an election under this subsection shall not be taken into account as a private business use.”.

(2) SPECIAL RULE FOR PROCEEDS OF TRANSFERS FOR MUTUAL OR COOPERATIVE ELECTRIC COMPANIES.—Section 501(c)(12) is amended by adding at the end the following new subparagraph:

“(I) In the case of a mutual or cooperative electric company described in this paragraph or an organization described in section 1381(a)(2), income received or accrued in connection with an election under section 45J(e)(1) shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.”.

(c) EFFECTIVE DATES.—

(1) TREATMENT OF UNUTILIZED LIMITATION AMOUNTS.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—The amendments made by subsection (b) shall apply to taxable years beginning after the date of the enactment of this Act.

SA 1634. Mr. DAINES submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part VIII of subtitle A of title I, insert the following:

SEC. 11082. TAXPAYER REFUND PROGRAM.

(a) IN GENERAL.—The Secretary of the Treasury shall implement a program under which taxpayers who have paid a penalty under section 5000A of the Internal Revenue Code of 1986 for any taxable year beginning after December 31, 2013, and before January 1, 2016, receive 1 payment in refund of all such penalties paid, without regard to whether or not an amended return is filed. Such payment shall be made not later than April 15, 2018.

(b) WAIVER OF STATUTE OF LIMITATIONS.—Solely for purposes of claiming the refund under subsection (a), the period prescribed by section 6511(a) of the Internal Revenue Code of 1986 with respect to any payment of a penalty under section 5000A shall be extended until the date prescribed by law (including extensions) for filing the return of tax for the taxable year that includes December 31, 2017.

SA 1635. Mr. DURBIN submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle D of title I, add the following:

SEC. 14 ____ . MODIFICATIONS TO RULES RELATING TO INVERTED CORPORATIONS.

(a) IN GENERAL.—Subsection (b) of section 7874 is amended to read as follows:

“(b) INVERTED CORPORATIONS TREATED AS DOMESTIC CORPORATIONS.—

“(1) IN GENERAL.—Notwithstanding section 7701(a)(4), a foreign corporation shall be treated for purposes of this title as a domestic corporation if—

“(A) such corporation would be a surrogate foreign corporation if subsection (a)(2) were applied by substituting ‘80 percent’ for ‘60 percent’, or

“(B) such corporation is an inverted domestic corporation.

“(2) **INVERTED DOMESTIC CORPORATION.**—For purposes of this subsection, a foreign corporation shall be treated as an inverted domestic corporation if, pursuant to a plan (or a series of related transactions)—

“(A) the entity completes after May 8, 2014, the direct or indirect acquisition of—

“(i) substantially all of the properties held directly or indirectly by a domestic corporation, or

“(ii) substantially all of the assets of, or substantially all of the properties constituting a trade or business of, a domestic partnership, and

“(B) after the acquisition, either—

“(i) more than 50 percent of the stock (by vote or value) of the entity is held—

“(I) in the case of an acquisition with respect to a domestic corporation, by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation, or

“(II) in the case of an acquisition with respect to a domestic partnership, by former partners of the domestic partnership by reason of holding a capital or profits interest in the domestic partnership, or

“(ii) the management and control of the expanded affiliated group which includes the entity occurs, directly or indirectly, primarily within the United States, and such expanded affiliated group has significant domestic business activities.

“(3) **EXCEPTION FOR CORPORATIONS WITH SUBSTANTIAL BUSINESS ACTIVITIES IN FOREIGN COUNTRY OF ORGANIZATION.**—A foreign corporation described in paragraph (2) shall not be treated as an inverted domestic corporation if after the acquisition the expanded affiliated group which includes the entity has substantial business activities in the foreign country in which or under the law of which the entity is created or organized when compared to the total business activities of such expanded affiliated group. For purposes of subsection (a)(2)(B)(iii) and the preceding sentence, the term ‘substantial business activities’ shall have the meaning given such term under regulations in effect on January 18, 2017, except that the Secretary may issue regulations increasing the threshold percent in any of the tests under such regulations for determining if business activities constitute substantial business activities for purposes of this paragraph.

“(4) **MANAGEMENT AND CONTROL.**—For purposes of paragraph (2)(B)(ii)—

“(A) **IN GENERAL.**—The Secretary shall prescribe regulations for purposes of determining cases in which the management and control of an expanded affiliated group is to be treated as occurring, directly or indirectly, primarily within the United States. The regulations prescribed under the preceding sentence shall apply to periods after May 8, 2014.

“(B) **EXECUTIVE OFFICERS AND SENIOR MANAGEMENT.**—Such regulations shall provide that the management and control of an expanded affiliated group shall be treated as occurring, directly or indirectly, primarily within the United States if substantially all of the executive officers and senior management of the expanded affiliated group who exercise day-to-day responsibility for making decisions involving strategic, financial, and operational policies of the expanded affiliated group are based or primarily located within the United States. Individuals who in fact exercise such day-to-day responsibilities shall be treated as executive officers and senior management regardless of their title.

“(5) **SIGNIFICANT DOMESTIC BUSINESS ACTIVITIES.**—For purposes of paragraph (2)(B)(ii), an expanded affiliated group has significant domestic business activities if at least 25 percent of—

“(A) the employees of the group are based in the United States,

“(B) the employee compensation incurred by the group is incurred with respect to employees based in the United States,

“(C) the assets of the group are located in the United States, or

“(D) the income of the group is derived in the United States,

determined in the same manner as such determinations are made for purposes of determining substantial business activities under regulations referred to in paragraph (3) as in effect on January 18, 2017, but applied by treating all references in such regulations to ‘foreign country’ and ‘relevant foreign country’ as references to ‘the United States’. The Secretary may issue regulations decreasing the threshold percent in any of the tests under such regulations for determining if business activities constitute significant domestic business activities for purposes of this paragraph.”

(b) **CONFORMING AMENDMENTS.**—

(1) Clause (i) of section 7874(a)(2)(B) is amended by striking “after March 4, 2003,” and inserting “after March 4, 2003, and before May 8, 2014.”

(2) Subsection (c) of section 7874 is amended—

(A) in paragraph (2)—

(i) by striking “subsection (a)(2)(B)(ii)” and inserting “subsections (a)(2)(B)(ii) and (b)(2)(B)(i)”;

(ii) by inserting “or (b)(2)(A)” after “(a)(2)(B)(i)” in subparagraph (B);

(B) in paragraph (3), by inserting “or (b)(2)(B)(i), as the case may be,” after “(a)(2)(B)(ii)”;

(C) in paragraph (5), by striking “subsection (a)(2)(B)(ii)” and inserting “subsections (a)(2)(B)(ii) and (b)(2)(B)(i)”;

(D) in paragraph (6), by inserting “or inverted domestic corporation, as the case may be,” after “surrogate foreign corporation”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years ending after May 8, 2014.

SA 1636. Mr. DURBIN submitted an amendment intended to be proposed to amendment SA 1618 submitted by Mr. HATCH (for himself and Ms. MURKOWSKI) and intended to be proposed to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle A of title I, insert the following:

SEC. 11030. MODIFICATION AND EXTENSION OF WORK OPPORTUNITY CREDIT FOR CERTAIN YOUTH EMPLOYEES.

(a) **EXPANSION OF CREDIT FOR SUMMER YOUTH.**—

(1) **CREDIT ALLOWED FOR YEAR-ROUND EMPLOYMENT.**—Section 51(d)(7)(A) is amended—

(A) by striking clauses (i) and (iii) and redesignating clauses (ii) and (iv) as clauses (i) and (ii), respectively;

(B) in clause (i) (as so redesignated), by striking “(or if later, on May 1 of the calendar year involved),” and inserting “, and”;

(C) by adding at the end the following new clause:

“(iii) who will be employed for not more than 20 hours per week during any period between September 16 and April 30 in which such individual is regularly attending any secondary school.”

(2) **INCREASE IN CREDIT AMOUNT.**—Section 51(d)(7) is amended by striking subparagraph (B) and by redesignating subparagraph (C) as subparagraph (B).

(3) **CONFORMING AMENDMENTS.**—

(A) Subparagraph (F) of section 51(d)(1) is amended by striking “summer”.

(B) Paragraph (7) of section 51(d) is amended—

(i) by striking “summer” each place it appears in subparagraphs (A);

(ii) in subparagraph (B), as redesignated by paragraph (2), by striking “subparagraph (A)(iv)” and inserting “subparagraph (A)(ii)”;

(iii) by striking “SUMMER” in the heading thereof.

(b) **CREDIT FOR AT-RISK YOUTH.**—

(1) **IN GENERAL.**—Paragraph (1) of section 51(d) is amended by striking “or” at the end of subparagraph (I), by striking the period at the end of subparagraph (J) and inserting “, or” , and by adding at the end the following new subparagraph:

“(K) an at-risk youth.”

(2) **AT-RISK YOUTH.**—Paragraph (14) of section 51(d) is amended to read as follows:

“(14) **AT-RISK YOUTH.**—The term ‘at-risk youth’ means any individual who is certified by the designated local agency—

“(A) as—

“(i) having attained age 16 but not age 25 on the hiring date,

“(ii) as not regularly attending any secondary, technical, or post-secondary school during the 6-month period preceding the hiring date,

“(iii) as not regularly employed during such 6-month period, and

“(iv) as not readily employable by reason of lacking a sufficient number of basic skills, or

“(B) as—

“(i) having attained age 16 but not age 21 on the hiring date, and

“(ii) an eligible foster child (as defined in section 152(f)(1)(C)) who was in foster care during the 12-month period ending on the hiring date.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to individuals who begin work for the employer after the date of the enactment of this Act.

SA 1637. Mr. MCCONNELL (for Mr. HOEVEN) proposed an amendment to the bill S. 254, to amend the Native American Programs Act of 1974 to provide flexibility and reauthorization to ensure the survival and continuing vitality of Native American languages; as follows:

On page 2, strike lines 21 and 22 and insert the following:

amended by striking “such sums” and all that follows through the period at the end and inserting “\$13,000,000 for each of fiscal years 2019 through 2023.”

SA 1638. Mr. MCCONNELL (for Mr. HOEVEN) proposed an amendment to the bill S. 669, to authorize the Secretary of the Interior to assess sanitation and safety conditions at Bureau of Indian Affairs facilities that were constructed to provide affected Columbia River Treaty tribes access to traditional fishing grounds and expend funds on construction of facilities and structures to improve those conditions, and for other purposes; as follows:

At the end, add the following:

SEC. 3. STUDY OF ASSESSMENT AND IMPROVEMENT ACTIVITIES.

The Comptroller General of the United States, in consultation with the Committee on Indian Affairs of the Senate, shall—

(1) conduct a study to evaluate whether the sanitation and safety conditions on lands held by the United States for the benefit of the affected Columbia River Treaty tribes (as defined in section 2) have improved as a result of the activities authorized in section 2; and

(2) prepare and submit to the Committee on Indian Affairs of the Senate and the Committee on Natural Resources of the House of Representatives a report containing the results of that study.

SA 1639. Mr. GARDNER submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . EXCEPTION FOR EXPENDITURES IN CONNECTION WITH CERTAIN CANNABIS RELATED TRADES OR BUSINESSES.

(a) IN GENERAL.—Section 280E of the Internal Revenue Code of 1986 is amended—

(1) by striking “DRUGS” and all that follows through “No deduction” and inserting “DRUGS

“(a) GENERAL RULE.—Except as provided in subsection (b), no deduction”; and

(2) by adding at the end the following:

“(b) EXCEPTION FOR CERTAIN CANNABIS RELATED TRADES OR BUSINESSES.—

“(1) EXCLUSION FROM TRAFFICKING.—Those activities undertaken in connection with a qualified cannabis trade or business shall not be considered trafficking in controlled substances for purposes of subsection (a).

“(2) DEFINITIONS.—For purposes of this subsection:

“(A) CANNABIS RELATED TRADE OR BUSINESS.—The term ‘cannabis related trade or business’ means a trade or business that earns cannabis related income.

“(B) CANNABIS RELATED INCOME.—The term ‘cannabis related income’ means any income earned from the manufacture, production, cultivation, processing, refinement, transportation and delivery, distribution, testing, use, sale, or exchange of cannabis or cannabis-derived materials.

“(C) QUALIFIED CANNABIS RELATED TRADE OR BUSINESS.—The term ‘qualified cannabis related trade or business’ means a cannabis related trade or business that meets the following requirements:

“(i) The activities giving rise to the cannabis related income of the trade or business are properly regulated under the laws of the State in which they are conducted.

“(ii) No cannabis or cannabis-derived materials owned by the trade or business are sold, exchanged, provided free of charge, gifted, donated, sampled, embedded in the sale of another item, embedded within the provision of a service, or otherwise transferred in a manner that does not give rise to cannabis related income.

“(iii) None of the activities of the trade or business are trafficking in controlled substances other than cannabis or cannabis-derived materials regulated under State law.

“(iv) To the extent that the cannabis related trade or business was in existence prior to the date of enactment of this subsection,

the person who held or controlled a license described in paragraph (3)(A) in taxable years ending before such date of enactment has not had a cannabis license revoked by State licensing authorities.

“(3) PROPERLY REGULATED.—The term ‘properly regulated’ means, with respect to a qualified cannabis related trade or business, the following:

“(A) Persons engaged in the activities giving rise to the cannabis related gross receipts are licensed by the State in which they conduct such activities and such license is subject to periodic renewal.

“(B) State licensing rules impose limitations on the production and distribution of cannabis and items derived from cannabis.

“(C) State licensing rules restrict the distribution of cannabis and items derived from cannabis to minors, including—

“(i) a minimum age on legal purchases of 18; and

“(ii) restrictions on advertising, marketing, and promotional activities that are at least as stringent as those imposed on alcohol products in the State.

“(D) Sufficient books and records are employed by the cannabis related trade or business—

“(i) to enable the seed to sale identification of all the cannabis or cannabis derived materials owned or used in connection with the manufacturing, production, growth, processing, refinement, distribution, testing, use, sale, or exchange activities of the cannabis related trade or business; and

“(ii) to enable the association of the income of the cannabis trade or business with the cannabis or cannabis derived materials identified in accordance with clause (i).

“(E) Personal use exemptions to the State licensing requirements, if any, contain limitations similar to those contained in section 5053(e), applied—

“(i) by limiting the definition of any permissible transfer to another person, whether by sale, exchange, gift, sharing, concurrent use, or otherwise, to transfers between the persons who constitute family members within the meaning of section 267(c)(4) and who are not minors; and

“(ii) by substituting 8 plants for 200 gallons in each place it appears for applying a household limitation involving more than 1 adult and 4 plants for 100 gallons in each place it appears for applying a household limitation involving only 1 adult.

“(F) State licensing rules limit caregiver, agency, designation arrangements, cooperative agreements, or any other arrangement involving cannabis or cannabis derived materials purporting not to involve a trade or business to 8 plants per patient or person per calendar year.

“(4) APPLICATION TO PERSONS ENGAGED IN MORE THAN ONE TRADE OR BUSINESS.—The activities of all persons who are related parties within the meaning of section 52 shall be taken into account in applying this subsection.”.

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

SA 1640. Mr. GARDNER submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 307, line 6, strike “an organization” and insert “an organization (other

than the United States Olympic Committee, any organizing committee or affiliated entity for an Olympic or Paralympic Games, world championship, regional championship, or United States Olympic and Paralympic sport national championship hosted in the United States, and any organization established pursuant to the Ted Stevens Olympic and Amateur Sports Act (36 U.S.C. 220501 et seq.)”.

SA 1641. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11022 and insert the following:

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (8).

“(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting ‘\$2,000’ for ‘\$1,000’.

“(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be—

“(A) in the case of a joint return, \$500,000, and

“(B) in the case of an individual who is not married or a married individual filing a separate return, \$250,000.

“(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting ‘18’ for ‘17’.

“(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

“(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by \$500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(6) PORTION OF CREDIT REFUNDABLE.—Subsection (d)(1)(B)(i) shall be applied by substituting—

“(A) ‘15.3 percent’ for ‘15 percent’, and

“(B) ‘\$0’ for ‘\$3,000’.

“(7) ADJUSTMENT FOR INFLATION.—

“(A) IN GENERAL.—In the case of a taxable year beginning after 2017, the \$2,000 amount in paragraph (2) 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 the taxable year begins.

“(B) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the next highest multiple of \$100.

“(8) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the

return of tax for the taxable year. For purposes of the preceding sentence, 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 to a citizen of the United States or is issued 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.”

(b) INCREASE IN CORPORATE TAX RATE.—Subsection (b) of section 11, as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “22 percent”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1642. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11022 and insert the following:

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (8).

“(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting ‘\$2,000’ for ‘\$1,000’.

“(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be—

“(A) in the case of a joint return, \$500,000, and

“(B) in the case of an individual who is not married or a married individual filing a separate return, \$250,000.

“(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting ‘18’ for ‘17’.

“(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

“(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by \$500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

“(B) EXCEPTION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

“(6) PORTION OF CREDIT REFUNDABLE.—In lieu of subsection (d), the following provisions shall apply for purposes of the credit allowable under this section:

“(A) IN GENERAL.—The aggregate credits allowed to a taxpayer under subpart C shall be increased by the lesser of—

“(i) the credit which would be allowed under this section without regard to this paragraph and the limitation under section 26(a), or

“(ii) the amount by which the aggregate amount of credits allowed by this subpart

(determined without regard to this paragraph) would increase if the limitation imposed by section 26(a) were increased by an amount equal to the sum of the taxpayer’s payroll taxes for the taxable year.

“(B) PAYROLL TAXES.—

“(i) IN GENERAL.—For purposes of subparagraph (A), the term ‘payroll taxes’ means, with respect to any taxpayer for any taxable year, the amount of the taxes imposed by—

“(I) section 1401 on the self-employment income of the taxpayer for the taxable year,

“(II) section 3101 on wages received by the taxpayer during the calendar year in which the taxable year begins,

“(III) section 3111 on wages paid by an employer with respect to employment of the taxpayer during the calendar year in which the taxable year begins,

“(IV) sections 3201(a) and 3211(a) on compensation received by the taxpayer during the calendar year in which the taxable year begins, and

“(V) section 3221(a) on compensation paid by an employer with respect to services rendered by the taxpayer during the calendar year in which the taxable year begins.

“(ii) COORDINATION WITH SPECIAL REFUND OF PAYROLL TAXES.—The term ‘payroll taxes’ shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 6413(c).

“(iii) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 3121(l) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in subclause (II) or (III) of clause (i) shall be treated as taxes referred to in such clause.

“(C) EXCEPTION FOR TAXPAYERS EXCLUDING FOREIGN EARNED INCOME.—Subparagraph (A) shall not apply to any taxpayer for any taxable year if such taxpayer elects to exclude any amount from gross income under section 911 for such taxable year.

“(7) ADJUSTMENT FOR INFLATION.—

“(A) IN GENERAL.—In the case of a taxable year beginning after 2017, the \$2,000 amount in paragraph (2) 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 the taxable year begins.

“(B) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the next highest multiple of \$100.

“(8) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of the preceding sentence, 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 to a citizen of the United States or is issued 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.”

(b) INCREASE IN CORPORATE TAX RATE.—Subsection (b) of section 11, as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “22 percent”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1643. Mr. BROWN (for himself, Mr. DURBIN, and Mrs. FEINSTEIN) submitted an amendment intended to be proposed by him to the bill H.R. 1, to

provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . PATRIOT EMPLOYER TAX CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1, as amended by section 13404 of this Act, is amended by adding at the end the following new section:

“SEC. 45T. PATRIOT EMPLOYER TAX CREDIT.

“(a) DETERMINATION OF AMOUNT.—

“(1) IN GENERAL.—For purposes of section 38, the Patriot employer credit determined under this section with respect to any taxpayer who is a Patriot employer for any taxable year shall be equal to 10 percent of the qualified wages paid or incurred by the Patriot employer.

“(2) LIMITATION.—The amount of qualified wages which may be taken into account under paragraph (1) with respect to any employee for any taxable year shall not exceed \$15,000.

“(b) PATRIOT EMPLOYER.—

“(1) IN GENERAL.—For purposes of subsection (a), the term ‘Patriot employer’ means, with respect to any taxable year, any taxpayer—

“(A) which—

“(i) maintains its headquarters in the United States if the taxpayer (or any predecessor) has ever been headquartered in the United States, and

“(ii) is not (and no predecessor of which is) an expatriated entity (as defined in section 7874(a)(2)) for the taxable year or any preceding taxable year ending after March 4, 2003.

“(B) with respect to which no assessable payment has been imposed under section 4980H with respect to any month occurring during the taxable year,

“(C) provides employees with—

“(i) paid sick leave, or

“(ii) paid family and medical leave, and

“(D) in the case of—

“(i) a taxpayer which employs an average of more than 50 employees on business days during the taxable year, which—

“(I) provides compensation for at least 90 percent of its employees for services provided by such employees during the taxable year at an hourly rate (or equivalent thereof) not less than an amount equal to 218 percent of the Federal poverty level for an individual for the calendar year in which the taxable year begins divided by 1,750,

“(II) meets the retirement plan requirements of subsection (c) with respect to at least 90 percent of its employees providing services during the taxable year who are not highly compensated employees, and

“(III) meets the additional requirements of subparagraphs (A) and (B) of paragraph (2), or

“(ii) any other taxpayer, which meets the requirements of either subclause (I) or (II) of clause (i) for the taxable year.

“(2) ADDITIONAL REQUIREMENTS FOR LARGE EMPLOYERS.—

“(A) UNITED STATES EMPLOYMENT.—The requirements of this subparagraph are met for any taxable year if—

“(i) in any case in which the taxpayer increases the number of employees performing substantially all of their services for the taxable year outside the United States, the taxpayer either—

“(I) increases the number of employees performing substantially all of their services inside the United States by an amount not less than the increase in such number for employees outside the United States, or

“(II) has a percentage increase in such employees inside the United States which is not less than the percentage increase in such employees outside the United States,

“(ii) in any case in which the taxpayer decreases the number of employees performing substantially all of their services for the taxable year inside the United States, the taxpayer either—

“(I) decreases the number of employees performing substantially all of their services outside the United States by an amount not less than the decrease in such number for employees inside the United States, or

“(II) has a percentage decrease in employees outside the United States which is not less than the percentage decrease in such employees inside the United States, and

“(iii) there is not a decrease in the number of employees performing substantially all of their services for the taxable year inside the United States by reason of the taxpayer contracting out such services to persons who are not employees of the taxpayer.

“(B) TREATMENT OF INDIVIDUALS IN THE UNIFORMED SERVICES AND THE DISABLED.—The requirements of this subparagraph are met for any taxable year if—

“(i) the taxpayer provides differential wage payments (as defined in section 3401(h)(2)) to each employee described in section 3401(h)(2)(A) for any period during the taxable year in an amount not less than the difference between the wages which would have been received from the employer during such period and the amount of pay and allowances which the employee receives for service in the uniformed services during such period, and

“(ii) the taxpayer has in place at all times during the taxable year a written policy for the recruitment of employees who have served in the uniformed services or who are disabled.

“(3) SPECIAL RULES FOR APPLYING THE MINIMUM WAGE AND RETIREMENT PLAN REQUIREMENTS.—

“(A) MINIMUM WAGE.—In determining whether the minimum wage requirements of paragraph (1)(D)(i)(I) are met with respect to 90 percent of a taxpayer's employees for any taxable year—

“(i) a taxpayer may elect to exclude from such determination apprentices or learners that an employer may exclude under the regulations under section 14(a) of the Fair Labor Standards Act of 1938, and

“(ii) if a taxpayer meets the requirements of paragraph (2)(B)(i) with respect to providing differential wage payments to any employee for any period (without regard to whether such requirements apply to the taxpayer), the hourly rate (or equivalent thereof) for such payments shall be determined on the basis of the wages which would have been paid by the employer during such period if the employee had not been providing service in the uniformed services.

“(B) RETIREMENT PLAN.—In determining whether the retirement plan requirements of paragraph (1)(D)(i)(II) are met with respect to 90 percent of a taxpayer's employees for any taxable year, a taxpayer may elect to exclude from such determination—

“(i) employees not meeting the age or service requirements under section 410(a)(1) (or such lower age or service requirements as the employer provides), and

“(ii) employees described in section 410(b)(3).

“(c) RETIREMENT PLAN REQUIREMENTS.—

“(1) IN GENERAL.—The requirements of this subsection are met for any taxable year with respect to an employee of the taxpayer who is not a highly compensated employee if the employee is eligible to participate in 1 or more applicable eligible retirement plans

maintained by the employer for a plan year ending with or within the taxable year.

“(2) APPLICABLE ELIGIBLE RETIREMENT PLAN.—For purposes of this subsection, the term ‘applicable eligible retirement plan’ means an eligible retirement plan which, with respect to the plan year described in paragraph (1), is either—

“(A) a defined contribution plan which—

“(i) requires the employer to make non-elective contributions of at least 5 percent of the compensation of the employee, or

“(ii) both—

“(I) includes an eligible automatic contribution arrangement (as defined in section 414(w)(3)) under which the uniform percentage described in section 414(w)(3)(B) is at least 5 percent, and

“(II) requires the employer to make matching contributions of 100 percent of the elective deferrals (as defined in section 414(u)(2)(C)) of the employee to the extent such deferrals do not exceed the percentage specified by the plan (not less than 5 percent) of the employee's compensation, or

“(B) a defined benefit plan—

“(i) with respect to which the accrued benefit of the employee derived from employer contributions, when expressed as an annual retirement benefit, is not less than the product of—

“(I) the lesser of 2 percent multiplied by the employee's years of service (determined under the rules of paragraphs (4), (5), and (6) of section 411(a)) with the employer or 20 percent, multiplied by

“(II) the employee's final average pay, or

“(f) which is an applicable defined benefit plan (as defined in section 411(a)(13)(B))—

“(I) which meets the interest credit requirements of section 411(b)(5)(B)(i) with respect to the plan year, and

“(II) under which the employee receives a pay credit for the plan year which is not less than 5 percent of compensation.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ELIGIBLE RETIREMENT PLAN.—The term ‘eligible retirement plan’ has the meaning given such term by section 402(c)(8)(B), except that in the case of an account or annuity described in clause (i) or (ii) thereof, such term shall only include an account or annuity which is a simplified employee pension (as defined in section 408(k)).

“(B) FINAL AVERAGE PAY.—For purposes of paragraph (2)(B)(i)(II), final average pay shall be determined using the period of consecutive years (not exceeding 5) during which the employee had the greatest compensation from the taxpayer.

“(C) ALTERNATIVE PLAN DESIGNS.—The Secretary may prescribe regulations for a taxpayer to meet the requirements of this subsection through a combination of defined contribution plans or defined benefit plans described in paragraph (1) or through a combination of both such types of plans.

“(D) PLANS MUST MEET REQUIREMENTS WITHOUT TAKING INTO ACCOUNT SOCIAL SECURITY AND SIMILAR CONTRIBUTIONS AND BENEFITS.—A rule similar to the rule of section 416(e) shall apply.

“(d) QUALIFIED WAGES AND COMPENSATION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified wages’ means wages (as defined in section 51(c), determined without regard to paragraph (4) thereof) paid or incurred by the Patriot employer during the taxable year to employees—

“(A) who perform substantially all of their services for such Patriot employer inside the United States, and

“(B) with respect to whom—

“(i) in the case of a Patriot employer which employs an average of more than 50 employees on business days during the tax-

able year, the requirements of subclauses (I) and (II) of subsection (b)(1)(D)(i) are met, and

“(ii) in the case of any other Patriot employer, the requirements of either subclause (I) or (II) of subsection (b)(1)(D)(i) are met.

“(2) SPECIAL RULES FOR AGRICULTURAL LABOR AND RAILWAY LABOR.—Rules similar to the rules of section 51(h) shall apply.

“(3) COMPENSATION.—For purposes of subsections (b)(1)(D)(i)(I) and (c), the term ‘compensation’ has the same meaning as qualified wages, except that section 51(c)(2) shall be disregarded in determining the amount of such wages.

“(e) AGGREGATION RULES.—For purposes of this section—

“(1) IN GENERAL.—All persons treated as a single employer under subsection (a) or (b) of section 52 shall be treated as a single taxpayer.

“(2) SPECIAL RULES FOR CERTAIN REQUIREMENTS.—For purposes of applying paragraphs (1)(A) and (2)(A) of subsection (b)—

“(A) the determination under subsections (a) and (b) of section 52 for purposes of paragraph (1) shall be made without regard to section 1563(b)(2)(C) (relating to exclusion of foreign corporations), and

“(B) if any person treated as a single taxpayer under this subsection (after application of subparagraph (A)), or any predecessor of such person, was an expatriated entity (as defined in section 7874(a)(2)) for any taxable year ending after March 4, 2003, then all persons treated as a single taxpayer with such person shall be treated as expatriated entities.

“(f) ELECTION TO HAVE CREDIT NOT APPLY.—

“(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

“(2) TIME FOR MAKING ELECTION.—An election under paragraph (1) for any taxable year may be made (or revoked) at any time before the expiration of the 3-year period beginning on the last date prescribed by law for filing the return for such taxable year (determined without regard to extensions).

“(3) MANNER OF MAKING ELECTION.—An election under paragraph (1) (or revocation thereof) shall be made in such manner as the Secretary may by regulations prescribe.”

(b) ALLOWANCE AS GENERAL BUSINESS CREDIT.—Section 38(b), as amended by section 13404 of this Act, is amended by striking “plus” at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting “, plus”, and by adding at the end the following:

“(38) in the case of a Patriot employer (as defined in section 45T(b)) for any taxable year, the Patriot employer credit determined under section 45T(a).”

(c) DENIAL OF DOUBLE BENEFIT.—Subsection (a) of section 280C, as amended by section 13404 of this Act, is amended by inserting “45T(a),” after “45S(a).”

(d) ADJUSTMENT TO CORPORATE TAX RATE.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “25 percent”.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided under paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) CORPORATE TAX RATE.—The amendment made by subsection (d) shall apply to taxable years beginning after December 31, 2018.

SA 1644. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . STRENGTHENING THE EARNED INCOME TAX CREDIT.

(a) IN GENERAL.—
(1) INCREASED CREDIT FOR INDIVIDUALS WITH NO QUALIFYING CHILDREN.—

(A) IN GENERAL.—The table in subparagraph (A) of section 32(b)(2) is amended—

(i) by striking “\$4,220” in the second column and inserting “\$9,230”; and

(ii) by striking “\$5,280” in the last column and inserting “\$10,900”.

(B) INFLATION ADJUSTMENTS.—Subparagraph (B) of section 32(j)(1) is amended—

(i) in clause (i)—

(I) by inserting “(except as provided in clause (iii))” after “(b)(2)(A)”; and

(II) by striking “and” at the end;

(ii) in clause (ii), by striking the period at the end and inserting “, and”; and

(iii) by adding at the end the following new clause:

“(iii) in the case of the \$9,230 and \$10,900 amounts in the table in subsection (b)(2)(A), by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) of such section 1.”.

(2) CREDIT INCREASE AND REDUCTION IN PHASEOUT FOR INDIVIDUALS WITH NO CHILDREN.—The table contained in section 32(b)(1) is amended—

(A) by striking “7.65” in the second column of the fourth row and inserting “15.3”; and

(B) by striking “7.65” in the third column of the fourth row and inserting “15.3”.

(3) CREDIT ALLOWED FOR CERTAIN CHILDLESS INDIVIDUALS OVER AGE 21.—Subclause (II) of section 32(c)(1)(A)(ii) is amended by striking “age 25” and inserting “age 21”.

(4) EFFECTIVE DATES.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “22 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1645. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . PERMANENTLY EXTEND LOWER THRESHOLD FOR MEDICAL EXPENSE DEDUCTION FOR INDIVIDUALS AGE 65 OR OLDER.

(a) IN GENERAL.—

(1) SPECIAL RULE.—Subsection (f) of section 213 of the Internal Revenue Code of 1986 is amended—

(A) by striking “and ending before January 1, 2017,” and

(B) by striking “FOR 2013, 2014, 2015, AND 2016” in the heading.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “21 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1646. Mr. BROWN submitted an amendment intended to be proposed by

him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . ENERGY CREDIT AND NEW CLEAN RENEWABLE ENERGY BONDS FOR QUALIFIED BIOGAS PROPERTY AND QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.

(a) ENERGY CREDIT FOR QUALIFIED BIOGAS PROPERTY AND QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.—

(1) IN GENERAL.—Section 48(a)(3)(A) is amended by striking “or” at the end of clause (vi) and by adding at the end the following new clauses:

“(viii) qualified biogas property, or

“(ix) qualified manure resource recovery property.”.

(2) 30-PERCENT CREDIT.—Section 48(a)(2)(A)(i) is amended by striking “and” at the end of subclause (III), by striking “and” at the end of subclause (IV), and by adding at the end the following new subclauses:

“(V) qualified biogas property, and

“(VI) qualified manure resource recovery property, and”.

(3) DEFINITIONS.—Section 48(c) is amended by adding at the end the following new paragraphs:

“(5) QUALIFIED BIOGAS PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified biogas property’ means property comprising a system which—

“(i) uses anaerobic digesters, or other biological, chemical, thermal, or mechanical processes (alone or in combination), to convert biomass (as defined in section 45K(c)(3)) into a gas which consists of not less than 52 percent methane, and

“(ii) captures such gas for use as a fuel.

“(B) INCLUSION OF CERTAIN CLEANING AND CONDITIONING EQUIPMENT.—Such term shall include any property which cleans and conditions the gas referred to in subparagraph (A) for use as a fuel.

“(C) TERMINATION.—No credit shall be determined under this section with respect to any qualified biogas property for any period after December 31, 2021.

“(6) QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified manure resource recovery property’ means property comprising a system which uses physical, biological, chemical, thermal, or mechanical processes to recover the nutrients nitrogen and phosphorus from a non-treated digestate or animal manure by reducing or separating at least 50 percent of the concentration of such nutrients, excluding any reductions during the incineration, storage, composting, or field application of the non-treated digestate or animal manure.

“(B) INCLUSION OF CERTAIN PROCESSING EQUIPMENT.—Such term shall include—

“(i) any property which is used to recover the nutrients referred to in subparagraph (A), such as—

“(I) biological reactors,

“(II) crystallizers,

“(III) reverse osmosis membranes and other water purifiers,

“(IV) evaporators,

“(V) distillers,

“(VI) decanter centrifuges, and

“(VII) equipment that facilitates the process of dissolved air flotation, ammonia stripping, gasification, or ozonation, and

“(ii) any thermal drier which treats the nutrients recovered by the processes referred to in subparagraph (A).

“(C) TERMINATION.—No credit shall be determined under this section with respect to

any qualified manure resource recovery property for any period after December 31, 2021.”.

(4) DENIAL OF DOUBLE BENEFIT FOR QUALIFIED BIOGAS PROPERTY.—Section 45(e) is amended by adding at the end the following new paragraph:

“(12) COORDINATION WITH ENERGY CREDIT FOR QUALIFIED BIOGAS PROPERTY.—The term ‘qualified facility’ shall not include any facility which produces electricity from gas produced by qualified biogas property (as defined in section 48(c)(5)) if a credit is determined under section 48 with respect to such property for the taxable year or any prior taxable year.”.

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to periods after December 31, 2017, in taxable years ending after such date, under rules similar to the rules of section 48(m) of such Code (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

(b) NEW CLEAN RENEWABLE ENERGY BONDS FOR QUALIFIED BIOGAS PROPERTY AND QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.—

(1) IN GENERAL.—Section 54C(d)(1) is amended by inserting “, a qualified biogas property (as defined in section 48(c)(5)), or a qualified manure resource recovery property (as defined in section 48(c)(6))” before “owned by”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to obligations issued after the date of the enactment of this Act.

(c) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “20.2 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1647. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 13532 and insert the following:

SEC. 13532. MODIFICATIONS TO QUALIFIED SMALL ISSUE BONDS.

(a) IN GENERAL.—

(1) MANUFACTURING FACILITIES TO INCLUDE PRODUCTION OF INTANGIBLE PROPERTY AND FUNCTIONALLY RELATED FACILITIES.—Section 144(a)(12)(C) is amended to read as follows:

“(C) MANUFACTURING FACILITY.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘manufacturing facility’ means any facility which—

“(I) is used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property),

“(II) is used in the creation or production of intangible property which is described in section 197(d)(1)(C)(iii), or

“(III) is functionally related and subordinate to a facility described in subclause (I) or (II) if such facility is located on the same site as the facility described in subclause (I) or (II).

“(ii) CERTAIN FACILITIES INCLUDED.—The term ‘manufacturing facility’ includes facilities that are directly related and ancillary to a manufacturing facility (determined without regard to this clause) if—

“(I) those facilities are located on the same site as the manufacturing facility, and

“(II) not more than 25 percent of the net proceeds of the issue are used to provide those facilities.

“(iii) LIMITATION ON OFFICE SPACE.—A rule similar to the rule of section 142(b)(2) shall apply for purposes of clause (i).

“(iv) LIMITATION ON REFUNDINGS FOR CERTAIN PROPERTY.—Subclauses (II) and (III) of clause (i) shall not apply to any bond issued on or before the date of the enactment of the Tax Cuts and Jobs Act, or to any bond issued to refund a bond issued on or before such date (other than a bond to which clause (iii) of this subparagraph (as in effect before the date of the enactment of the Tax Cuts and Jobs Act applies)), either directly or in a series of refundings.”.

(2) INCREASE IN LIMITATIONS.—Section 144(a)(4) is amended—

(A) by striking “\$10,000,000” in subparagraph (A)(i) and inserting “\$30,000,000”, and

(B) by striking “\$10,000,000” in the heading and inserting “\$30,000,000”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to obligations issued after the date of the enactment of this Act.

(b) DELAY OF REDUCED CORPORATE TAX RATE.—

(1) Section 13001(c) of this Act is amended by striking “December 31, 2018” each place it appears and inserting “December 31, 2019”.

(2) Section 13002(f) of this Act is amended by striking “December 31, 2018” each place it appears and inserting “December 31, 2019”.

SA 1648. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . EXPANSION OF QUALIFIED ZONE ACADEMY BONDS.

(a) IN GENERAL.—

(1) CONSTRUCTION OF A PUBLIC SCHOOL FACILITY.—Subparagraph (A) of section 54E(d)(3) is amended by striking “rehabilitating or repairing” and inserting “constructing, rehabilitating, retrofitting, or repairing”.

(2) REMOVAL OF PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—Section 54E is amended—

(A) in subsection (a)(3)—

(i) in subparagraph (A), by inserting “and” at the end;

(ii) by striking subparagraph (B); and

(iii) by redesignating subparagraph (C) as subparagraph (B);

(B) by striking subsection (b) and redesignating subsections (c) and (d) as subsections (b) and (c), respectively; and

(C) in paragraph (1) of subsection (b) (as so redesignated)—

(i) by striking “and \$400,000,000” and inserting “\$400,000,000”; and

(ii) by striking “and, except as provided” and all that follows through the period at the end and inserting “, and \$1,400,000,000 for 2018 and each year thereafter.”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to obligations issued after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “21 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1649. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . DEDUCTION FOR DONATIONS TO NON-PROFIT ADDICTION TREATMENT CENTERS.

(a) DEDUCTION FROM ADJUSTED GROSS INCOME.—

(1) IN GENERAL.—Section 62(a) is amended by adding at the end the following new paragraph:

“(22) DONATIONS TO NON-PROFIT ADDICTION TREATMENT CENTERS.—In the case of an individual who does not elect to itemize their deductions for the taxable year, the deduction allowed by section 170 for charitable contributions made to a nonprofit substance use disorder treatment facility that is licensed by a State, and which is eligible to receive reimbursement for services provided to individuals enrolled in the Medicare program or a State Medicaid program.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “20.5 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1650. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . DEDUCTION FOR TRADE AND BUSINESS EXPENSES INCURRED BY FIREFIGHTERS AND LAW ENFORCEMENT OFFICERS.

(a) DEDUCTION FROM ADJUSTED GROSS INCOME.—

(1) IN GENERAL.—Section 62(a)(2) is amended by adding at the end the following new subparagraph:

“(F) CERTAIN EXPENSES OF FIREFIGHTERS AND LAW ENFORCEMENT OFFICERS.—The deductions allowed by section 162 which consist of expenses paid or incurred by Federal, State, or local firefighters or law enforcement officers in connection with the performance of their official duties.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “20.5 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1651. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . INCREASE DEDUCTION FOR INTEREST PAID ON QUALIFIED EDUCATION LOANS.

(a) INCREASE IN MAXIMUM DEDUCTION.—

(1) IN GENERAL.—Paragraph (1) of section 221(b) is amended by striking “\$2,500” and inserting “\$5,000”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “20.5 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

SA 1652. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. ____ . IMPOSITION OF EXCISE TAX ON CORPORATIONS WITH LOW-WAGE EMPLOYEES.

(a) IN GENERAL.—Subtitle D is amended by adding after chapter 36 the following new chapter:

“CHAPTER 37—CORPORATE RESPONSIBILITY TAX

“Sec. 4511. Imposition of tax.

“SEC. 4511. IMPOSITION OF TAX.

“(a) IN GENERAL.—In the case of an applicable employer who employs a low-wage employee during the calendar year, there is imposed a tax equal to the applicable percentage of the aggregate amount of wages paid by the applicable employer with respect to employment of all employees of the employer during the calendar year.

“(b) APPLICABLE EMPLOYER; LOW-WAGE EMPLOYEE.—For purposes of this section—

“(1) APPLICABLE EMPLOYER.—

“(A) IN GENERAL.—The term ‘applicable employer’ means, with respect to any calendar year, any employer who was required to make deposits of taxes under chapters 21 and 24 (or who would have been required to make such deposits if the rules of subparagraph (C) applied for such purposes) by the close of the next day for periods aggregating more than 180 days during the preceding calendar year.

“(B) EXCEPTION.—Such term shall not include a Federal or other governmental entity or a church or qualified church organization (as such terms are defined in section 3121(w)(3)).

“(C) AGGREGATION RULES.—The rules of subsections (b), (c), (m), and (o) of section 414 shall apply for purposes of this section, except that in applying subsections (b) and (c) of such section, the phrase ‘more than 50 percent’ shall be substituted for the phrase ‘more than 80 percent’ each place it appears.

“(2) LOW-WAGE EMPLOYEE.—

“(A) IN GENERAL.—The term ‘low-wage employee’ means any employee who receives wages from an applicable employer during the calendar year in an amount less than 218 percent of the Federal poverty line (within the meaning of section 2110(c)(5) of the Social Security Act) for an individual. Rules similar to the rules of section 36B(d)(3)(B) shall apply for purposes of this subparagraph.

“(B) EMPLOYEES EMPLOYED FOR LESS THAN ENTIRE YEAR.—In the case of any employee employed by an applicable taxpayer for less than the entire calendar year, the amount

described in subparagraph (A) shall be reduced by an amount which bears the same ratio to such amount as—

“(i) the number of weeks during the calendar year in which such individual was not an employee of such applicable employer, bears to

“(ii) 52.

“(C) APPLICABLE PERCENTAGE.—For purposes of subsection (a)—

“(1) IN GENERAL.—

“(A) DETERMINATION.—The applicable percentage shall be determined as follows:

“In the case of an applicable employer with a low-wage employee ratio of:	The applicable percentage is:
25% or less	25%
Greater than 25% but not greater than 50%	50%
Greater than 50%, but not greater than 75% ...	75%
Greater than 75%	100%.

“(B) LOW-WAGE EMPLOYEE RATIO.—For purposes of subparagraph (A), the low-wage employee ratio with respect to any applicable employer is the ratio (expressed as a percentage) of—

“(i) the number of low-wage employees employed by the applicable employer during the calendar year, to

“(ii) the total number of individuals employed by the applicable employer during such calendar year.

“(2) HEALTH AND RETIREMENT OFFSET.—

“(A) IN GENERAL.—In the case of an applicable employer who meets the requirements of subparagraph (B), the applicable percentage shall be reduced (but not below zero) by 25 percentage points.

“(B) REQUIREMENTS.—An applicable employer meets the requirements of this subparagraph if such applicable employer—

“(i) offers to all full-time low-wage employees (and their spouse and dependents) the opportunity to enroll for all months during the calendar year in minimum essential coverage under an eligible employer sponsored health plan (as defined in section 5000A(f)(2)) for which—

“(I) the plan’s share of the allowed costs of benefits provided under the plan is not less than 60 percent of such costs, and

“(II) the required contribution (within the meaning of section 5000A(e)(1)(B)) of the employee does not exceed the applicable percentage of the annual wages paid to the employee by the applicable employer, and

“(ii) meets the retirement plan requirements of subsection (d) for all employees who are low-wage employees.

For purposes of clause (i)(II), the applicable percentage is the percentage in effect under section 36B(c)(2)(B)(I) for the plan year.

“(d) RETIREMENT PLAN REQUIREMENTS.—

“(1) IN GENERAL.—The requirements of this subsection are met for any calendar year with respect to an employee of the applicable employer who is a low-wage employee if the employee is eligible to participate in one or more applicable eligible retirement plans maintained by the applicable employer (or any member of the group of employers treated as an applicable employer under subsection (b)(1)(C)) for a plan year ending with or within the calendar year.

“(2) APPLICABLE ELIGIBLE RETIREMENT PLAN.—For purposes of this subsection, the term ‘applicable eligible retirement plan’ means an eligible retirement plan which, with respect to the plan year described in paragraph (1), is either—

“(A) a defined contribution plan which requires the employer to make nonelective contributions of at least 5 percent of the compensation of the employee, or

“(B) a defined benefit plan—

“(i) with respect to which the accrued benefit of the employee derived from employer contributions, when expressed as an annual retirement benefit, is not less than the product of—

“(I) the lesser of 2 percent multiplied by the employee’s years of service (determined under the rules of paragraphs (4), (5), and (6) of section 411(a)) with the employer or 20 percent, multiplied by

“(II) the employee’s final average pay, or

“(ii) which is an applicable defined benefit plan (as defined in section 411(a)(13)(B))—

“(I) which meets the interest credit requirements of section 411(b)(5)(B)(i) with respect to the plan year, and

“(II) under which the employee receives a pay credit for the plan year which is not less than 5 percent of compensation.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) ELIGIBLE RETIREMENT PLAN.—The term ‘eligible retirement plan’ has the meaning given such term by section 402(c)(8)(B), except that in the case of an account or annuity described in clause (i) or (ii) thereof, such term shall only include an account or annuity which is a simplified employee pension (as defined in section 408(k)).

“(B) FINAL AVERAGE PAY.—For purposes of paragraph (2)(B)(i)(II), final average pay shall be determined using the period of consecutive years (not exceeding 5) during which the employee had the greatest compensation from the applicable employer.

“(C) ALTERNATIVE PLAN DESIGNS.—The Secretary may prescribe regulations for an applicable employer to meet the requirements of this subsection through a combination of defined contribution plans or defined benefit plans described in paragraph (1) or through a combination of both such types of plans.

“(D) PLANS MUST MEET REQUIREMENTS WITHOUT TAKING INTO ACCOUNT SOCIAL SECURITY AND SIMILAR CONTRIBUTIONS AND BENEFITS.—A rule similar to the rule of section 416(e) shall apply.

“(E) CERTAIN EMPLOYEES MAY BE EXCLUDED.—For purposes of paragraph (2)(B)(ii), an employer shall not be treated as failing to meet the requirements of this subsection with respect to employees—

“(i) who have not attained the age of 21 before the close of a plan year,

“(ii) who have less than 1 year of service with the employer as of any day during the plan year,

“(iii) who are covered under an agreement which the Secretary of Labor finds to be a collective bargaining agreement if there is evidence that the benefits covered under the plan were the subject of good faith bargaining between employee representatives and the employer, or

“(iv) who are described in section 410(b)(3)(C) (relating to nonresident aliens working outside the United States).

“(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

“(1) WAGES.—The term ‘wages’ has the meaning given such term by section 3121(a) (determined without regard to any dollar limitation contained in such section).

“(2) ALLOCATION OF TAX.—The Secretary shall prescribe such rules as necessary for the allocation of the tax imposed by subsection (a) among different entities treated as a single employer under subsection (b)(1)(C).”.

(b) CONFORMING AMENDMENT.—The table of chapters of the Internal Revenue Code of 1986 is amended by inserting after the item relating to chapter 36 the following new item:

“CHAPTER 37—CORPORATE RESPONSIBILITY TAX”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar

years beginning after the date of the enactment of this Act.

SA 1653. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11002 and insert the following:

SEC. 11002. ADJUSTMENT TO CORPORATE TAX RATE.

(a) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “22 percent”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

(c) CONFORMING AMENDMENTS RELATING TO INFLATION ADJUSTMENTS.—

(1) The following provisions, as added or amended by this Act, are each amended by striking “for ‘calendar year 2016’ in subparagraph (A)(ii) thereof” and inserting “for ‘calendar year 1992’ in subparagraph (B)”:

- (A) Section 1(j)(3)(B)(i).
- (B) Section 63(c)(7)(B)(ii)(II).
- (C) Section 199A(e)(2)(B)(ii).
- (D) Section 447(d)(2)(D)(ii)(II).
- (E) Section 448(c)(4)(B)(ii).
- (F) Section 461(1)(3)(B)(ii).
- (G) Section 883(d)(2)(B).

(2) The following provisions, as added or amended by this Act, are each amended by inserting “, determined by substituting ‘calendar year 2016’ for ‘calendar year 1992’ in subparagraph (B) thereof” after “begins”:

- (A) Section 24(h)(6)(B)(ii).
- (B) Section 954(b)(3)(D)(ii).

(3) The following provisions, as added or amended by this Act, are each amended by striking “for ‘2016’ in subparagraph (A)(ii) thereof” and inserting “for ‘1992’ in subparagraph (B)”:

- (A) Section 642(b)(2)(C)(iii)(ii)(bb).
- (B) Section 3402(a)(3)(B)(ii).
- (C) Section 6334(d)(4)(C)(ii).

(4) Section 1(f)(2)(A) is amended by striking “, determined by substituting ‘1992’ for ‘2016’ in paragraph (3)(A)(ii)”.

SA 1654. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike sections 11049 and 11050 and insert the following:

SEC. 11002. ADJUSTMENT TO CORPORATE TAX RATE.

(a) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “21 percent”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SA 1655. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. —. AUTHORITY TO ISSUE GUIDANCE CLARIFYING EMPLOYMENT STATUS FOR PURPOSES OF EMPLOYMENT TAXES.

(a) IN GENERAL.—Chapter 25 is amended by adding at the end the following new section:
“SEC. 3512. AUTHORITY TO ISSUE GUIDANCE CLARIFYING EMPLOYMENT STATUS.

“(a) IN GENERAL.—The Secretary shall issue such regulations or other guidance as the Secretary determines to be necessary or appropriate to clarify the proper employment status of individuals for purposes of any tax imposed by this subtitle.

“(b) PROHIBITION ON RETROACTIVE ASSESSMENTS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), if—

“(A) for purposes of any tax imposed by this subtitle, the taxpayer did not treat an individual as an employee for any period before the reclassification date with respect to such individual, and

“(B) in the case of periods after December 31, 1978, and before such reclassification date, all Federal tax returns (including information returns) required to be filed by the taxpayer with respect to such individual for such period are filed on a basis consistent with the taxpayer’s treatment of such individual as not being an employee,

then, for purposes of applying such taxes for such period before such reclassification date with respect to the taxpayer, the individual shall be deemed not to be an employee unless the taxpayer had no reasonable basis for not treating such individual as an employee.

“(2) PROFESSIONAL SERVICES.—

“(A) IN GENERAL.—In the case of an individual who performs professional services, if—

“(i) for purposes of any tax imposed by this subtitle, the taxpayer did not treat the individual as an employee for any period, and

“(ii) in the case of periods after December 31, 1978, all Federal tax returns (including information returns) required to be filed by the taxpayer with respect to such individual for such period are filed on a basis consistent with the taxpayer’s treatment of such individual as not being an employee,

then, for purposes of applying such taxes for such period with respect to the taxpayer, the individual shall be deemed not to be an employee unless the taxpayer had no reasonable basis for not treating such individual as an employee. For purposes of this subparagraph, professional services means services performed in the fields of health, law, engineering, architecture, accounting, actuarial science, consulting, or financial services.

“(B) APPLICATION TO FULL-TIME LIFE INSURANCE SALESMEN.—For purposes of this subtitle (with the exception of chapter 21), an individual shall not be excluded from the application of subparagraph (A) due solely to treatment of such individual by the taxpayer as an employee, including for purposes of tax returns, to the extent required under section 3121(d)(3)(B).

“(3) STATUTORY STANDARDS PROVIDING ONE METHOD OF SATISFYING THE REQUIREMENTS OF PARAGRAPHS (1) AND (2).—For purposes of paragraphs (1) and (2), a taxpayer shall in any case be treated as having a reasonable basis for not treating an individual as an employee for a period if the taxpayer’s treatment of such individual for such period was in reasonable reliance on any of the following:

“(A) Judicial precedent, published rulings, technical advice with respect to the taxpayer, or a letter ruling to the taxpayer.

“(B) A past Internal Revenue Service audit of the taxpayer in which there was no assessment attributable to the treatment (for purposes of any tax imposed by this subtitle) of

the individuals holding positions substantially similar to the position held by such individual.

“(C) Long-standing recognized practice of a significant segment of the industry in which such individual was engaged.

“(4) CONSISTENCY REQUIRED IN THE CASE OF PRIOR TAX TREATMENT.—Paragraph (1) shall not apply with respect to the treatment of any individual (hereafter in this paragraph referred to as the reclassified individual) for purposes of any tax imposed by this subtitle for any period ending after December 31, 1978, if the taxpayer (or a predecessor) has treated any individual holding a substantially similar position as an employee for purposes of any tax imposed by this subtitle for any period beginning after December 31, 1977, and ending before the reclassification date with respect to such reclassified individual.

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

“(1) RECLASSIFICATION DATE.—

“(A) IN GENERAL.—The term ‘reclassification date’ means, with respect to any individual, the earlier of—

“(i) the first day of the first calendar quarter beginning more than 180 days after the date of an employee classification determination with respect to such individual, or

“(ii) the effective date of the first applicable final regulation issued by the Secretary under subsection (a) with respect to such individual (or, if later, the first day of the first calendar quarter beginning more than 180 days after such regulation is issued).

“(B) EMPLOYEE CLASSIFICATION DETERMINATION.—The term ‘employee classification determination’ means, with respect to any individual, a determination by the Secretary, in connection with an audit of the taxpayer which is described in section 7436 and which commences after the date which is 1 year after the date of the enactment of this section, that a class of individuals holding positions with such taxpayer which are substantially similar to the position held by such individual are employees.

“(C) FIRST APPLICABLE FINAL REGULATION.—The term ‘first applicable final regulation’ means, with respect to any individual, the first final regulation (or other guidance of general applicability) which sets forth the factors for determining the employment status of a class of individuals holding positions substantially similar to the position held by such individual.

“(2) EMPLOYMENT STATUS.—The term ‘employment status’ means the status of an individual, under the usual common law rules applicable in determining the employer-employee relationship, as an employee or as an independent contractor (or other individual who is not an employee).

“(d) CONTINUATION OF CERTAIN SPECIAL RULES.—

“(1) EXCEPTION FOR CERTAIN SKILLED WORKERS.—Subsection (b) shall not apply in the case of an individual who, pursuant to an arrangement between the taxpayer and another person, provides services for such other person as an engineer, designer, drafter, computer programmer, systems analyst, or other similarly skilled worker engaged in a similar line of work.

“(2) NOTICE OF AVAILABILITY OF SECTION.—An officer or employee of the Internal Revenue Service shall, before or at the commencement of any audit inquiry relating to the employment status of one or more individuals who perform services for the taxpayer, provide the taxpayer with a written notice of the provisions of this section.

“(3) RULES RELATING TO STATUTORY STANDARDS.—For purposes of subsection (b)(3)—

“(A) a taxpayer may not rely on an audit commenced after December 31, 1996, for pur-

poses of subparagraph (B) thereof unless such audit included an examination for purposes of any tax imposed by this subtitle whether the individual involved (or any individual holding a position substantially similar to the position held by the individual involved) should be treated as an employee of the taxpayer.

“(B) in no event shall the significant segment requirement of subparagraph (C) thereof be construed to require a reasonable showing of the practice of more than 25 percent of the industry (determined by not taking into account the taxpayer), and

“(C) in applying the long-standing recognized practice requirement of subparagraph (C) thereof—

“(i) such requirement shall not be construed as requiring the practice to have continued for more than 10 years, and

“(ii) a practice shall not fail to be treated as long-standing merely because such practice began after 1978.

“(4) AVAILABILITY OF SAFE HARBORS.—Nothing in this section shall be construed to provide that subsection (b) only applies where the individual involved is otherwise an employee of the taxpayer.

“(5) BURDEN OF PROOF.—

“(A) IN GENERAL.—If—

“(i) a taxpayer establishes a prima facie case that it was reasonable not to treat an individual as an employee for purposes of subsection (b), and

“(ii) the taxpayer has fully cooperated with reasonable requests from the Secretary, then the burden of proof with respect to such treatment shall be on the Secretary.

“(B) EXCEPTION FOR OTHER REASONABLE BASIS.—In the case of any issue involving whether the taxpayer had a reasonable basis not to treat an individual as an employee for purposes of subsection (b), subparagraph (A) shall only apply for purposes of determining whether the taxpayer meets the requirements of subparagraph (A), (B), or (C) of subsection (b)(3).

“(6) PRESERVATION OF PRIOR PERIOD SAFE HARBOR.—If—

“(A) an individual would (but for the treatment referred to in subparagraph (B)) be deemed not to be an employee of the taxpayer under subsection (b) for any prior period, and

“(B) such individual is treated by the taxpayer as an employee for purposes of the taxes imposed by this subtitle for any subsequent period,

then, for purposes of applying such taxes for such prior period with respect to the taxpayer, the individual shall be deemed not to be an employee.

“(7) SUBSTANTIALLY SIMILAR POSITION.—For purposes of subsection (b) and this subsection, the determination as to whether an individual holds a position substantially similar to a position held by another individual shall include consideration of the relationship between the taxpayer and such individuals.

“(8) TREATMENT OF TEST ROOM SUPERVISORS AND PROCTORS WHO ASSIST IN THE ADMINISTRATION OF COLLEGE ENTRANCE AND PLACEMENT EXAMS.—

“(A) IN GENERAL.—In the case of an individual described in subparagraph (B) who is providing services as a test proctor or room supervisor by assisting in the administration of college entrance or placement examinations, subsection (b) shall be applied to such services performed after December 31, 2006 (and remuneration paid for such services) without regard to paragraph (4) thereof.

“(B) APPLICABILITY.—An individual is described in this subparagraph if the individual—

“(i) is providing the services described in subsection (b) to an organization described

in section 501(c) and exempt from tax under section 501(a), and

“(ii) is not otherwise treated as an employee of such organization for purposes of this subtitle.

“(9) TREATMENT OF SECURITIES BROKER DEALERS.—In determining for purposes of this title whether a registered representative of a securities broker-dealer is an employee (as defined in section 3121(d)), no weight shall be given to instructions from the service recipient which are imposed only in compliance with investor protection standards imposed by the Federal Government, any State government, or a governing body pursuant to a delegation by a Federal or State agency.

“(e) STATEMENTS TO INDEPENDENT CONTRACTORS.—

“(1) IN GENERAL.—Each person who contracts for the services of an independent contractor on a regular and ongoing basis, within the scope of such person’s trade or business, shall provide a written statement to such independent contractor notifying such independent contractor of the Federal tax obligations of an independent contractor, the labor and employment law protections that do not apply to independent contractors, and the right of such independent contractor to seek a status determination from the Internal Revenue Service.

“(2) INDEPENDENT CONTRACTOR.—For purposes of this subsection, the term ‘independent contractor’ means any individual who is not treated as an employee by the person receiving the services referred to in paragraph (1).

“(3) TIMING OF STATEMENT.—Except as otherwise provided by the Secretary, the statement required under paragraph (1) shall be provided within a reasonable period before or after entering into the arrangement for services referred to in paragraph (1).

“(4) DEVELOPMENT OF MODEL STATEMENT.—The Secretary shall develop model materials for providing the statement required under paragraph (1).”

(b) REDUCED PENALTY NOT APPLICABLE IN CASES OF NONCOMPLIANCE WITH GUIDANCE WITHOUT REASONABLE BASIS.—Subsection (c) of section 3509 is amended—

(1) by striking “if such liability” and inserting “if—

“(1) such liability”, and

(2) by striking the period at the end and inserting “, or

“(2) such liability relates to an individual who is treated as an employee under regulations or other guidance issued by the Secretary under section 3512(a) and the taxpayer lacks a reasonable basis for treating the individual as other than an employee.

In the case of a taxpayer which has received a final written determination from the Internal Revenue Service holding that the individual referred to in paragraph (2) (or another individual who holds a position with the taxpayer substantially similar to the position held by such individual) is an employee, such taxpayer shall be treated for purposes of paragraph (2) as lacking a reasonable basis for treating such individual as other than an employee with respect to periods beginning on and after the first day of the first calendar quarter beginning more than 180 days after the date of such written determination unless the taxpayer establishes by clear and convincing evidence that the taxpayer has a reasonable basis for such treatment.”

(c) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 6724(d), as amended by this Act, is amended by striking “or” at the end of subparagraph (II), by striking the period at the end of subparagraph (JJ) and inserting “, or”, and by in-

serting after subparagraph (JJ) the following new subparagraph:

“(KK) section 3512(e) (relating to statements to independent contractors).”

(2) Paragraph (2) of section 7436(a) is amended by striking “subsection (a) of section 530 of the Revenue Act of 1978” and inserting “section 3512(b)”.

(3) The table of sections for chapter 25 is amended by adding at the end the following new item:

“Sec. 3512. Authority to issue guidance clarifying employment status.”

(d) TERMINATION OF SECTION 530 OF THE REVENUE ACT OF 1978.—The Revenue Act of 1978 is amended by striking section 530.

(e) REPORTS ON WORKER MISCLASSIFICATION.—Beginning with the first fiscal year beginning after the date the first regulation or other guidance is issued for public comment under section 3512(a) of the Internal Revenue Code of 1986 (as added by this section), the Commissioner of the Internal Revenue Service shall issue the following reports:

(1) A report each fiscal year on worker classification which shall include the total number of examinations of employers initiated because of suspected worker classification issues, the total number of examinations that included determinations on worker classification issues, the amount of additional tax liabilities associated with worker classification enforcement actions, the number of workers reclassified as a result of these actions, the number of requests for Determination of Worker Status (Form SS-8), and technical guidance on how to understand the data provided in the report.

(2) A report each fiscal year in which new statistically valid data is compiled and interpreted on worker classification, prepared on the basis of information gathered during an Employment Tax Study conducted by the National Research Program (NRP) of the Internal Revenue Service. Such report shall provide statistical estimates of the number of employers misclassifying workers, the number of workers misclassified, the industries involved, data interpretations and conclusions, and a description of the impact of improper worker classification on the employment tax gap.

(f) TERMINATION OF SECTION 921 OF THE TAXPAYER RELIEF ACT OF 1997.—The Taxpayer Relief Act of 1997 is amended by striking section 921.

(g) EFFECTIVE DATES.—

(1) DELAYED EFFECTIVE DATE OF REGULATIONS AND GUIDANCE.—Any regulation or other guidance issued under section 3512(a) of the Internal Revenue Code of 1986, as added by this section, shall not apply to services rendered before the date which is 1 year after the date of the enactment of this Act.

(2) AUTHORITY TO ISSUE REGULATIONS AND GUIDANCE IMMEDIATELY.—So much of the amendment made by subsection (d) as relates to subsection (b) of section 530 of the Revenue Act of 1978 shall take effect on the date of the enactment of this Act.

(3) DELAYED TERMINATION OF REMAINDER OF SECTION 530 OF THE REVENUE ACT OF 1978.—Except as provided in paragraph (2), the amendment made by subsection (d) shall apply to services rendered on or after the date which is 1 year after the date of the enactment of this Act.

(4) STATEMENTS TO INDEPENDENT CONTRACTORS.—Subsection (e) of section 3512 of the Internal Revenue Code of 1986, as added by this section, and the amendments made by subsection (c)(1) of this section shall apply to arrangements for services entered into after December 31, 2017.

(5) APPLICATION OF REDUCED PENALTY.—The amendments made by subsection (b) shall

apply to any calendar year beginning after the date of the enactment of this Act.

SA 1656. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part IX of subtitle C of title I, insert the following:

Subpart C—Stop Price Gouging Act

SEC. 13831. SHORT TITLE.

This subpart may be cited as the “Stop Price Gouging Act”.

SEC. 13832. IDENTIFICATION OF PRESCRIPTION DRUG PRICE SPIKES.

(a) DEFINITIONS.—In this section:

(1) APPLICABLE ENTITY.—The term “applicable entity” means the holder of an application approved under subsection (c) or (j) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355) or of a license issued under subsection (a) or (k) of section 351 of the Public Health Service Act (42 U.S.C. 262) for a drug described in paragraph (5)(A).

(2) AVERAGE MANUFACTURER PRICE.—The term “average manufacturer price”—

(A) has the same meaning given such term under section 1927(k)(1) of the Social Security Act (42 U.S.C. 1396r-8(k)(1)); or

(B) with respect to a drug for which there is no average manufacturer price as so defined, such term shall mean the wholesale acquisition cost of the drug.

(3) COMMERCE.—The term “commerce” has the meaning given such term in section 4 of the Federal Trade Commission Act (15 U.S.C. 44).

(4) INSPECTOR GENERAL.—The term “Inspector General” means the Inspector General of the Department of Health and Human Services.

(5) PRESCRIPTION DRUG.—

(A) IN GENERAL.—The term “prescription drug” means any drug (as defined in section 201(g) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 321(g))), including a combination product whose primary mode of action is determined under section 503(g) of such Act (21 U.S.C. 353(g)) to be that of a drug, and that—

(i) is subject to section 503(b)(1) of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 353(b)(1)); and

(ii) is covered by a Federal health care program (as defined in section 1128B(f) of the Social Security Act (42 U.S.C. 1320a-7b(f))).

(B) TREATMENT OF REFORMULATED DRUGS.—For purposes of this section, a prescription drug with respect to which the Secretary of Health and Human Services has approved any minor reformulation that does not produce a meaningful therapeutic benefit, the drug that was approved prior to any such reformulation and the drug with any such reformulation shall be considered one prescription drug.

(6) PRICE SPIKE.—

(A) IN GENERAL.—The term “price spike” means an increase in the average manufacturer price in commerce of a prescription drug for which the price spike percentage is equal to or greater than applicable price increase allowance.

(B) PRICE SPIKE PERCENTAGE.—The price spike percentage is the percentage (if any) by which—

(i) the average manufacturer price of a prescription drug in commerce for the calendar year; exceeds

(ii) the average manufacturer price of such prescription drug in commerce for the calendar year preceding such year.

(C) **APPLICABLE PRICE INCREASE ALLOWANCE.**—The applicable price increase allowance for any calendar year is the percentage (rounded to the nearest one-tenth of 1 percent) by which the medical care consumer price index detailed expenditure category for all urban consumers (United States city average) for that year exceed such index for the preceding calendar year.

(7) **PRICE SPIKE REVENUE.**—

(A) **IN GENERAL.**—The price spike revenue for any calendar year is an amount equal to—

- (i) the gross price spike revenue, minus
- (ii) the adjustment amount.

(B) **GROSS PRICE SPIKE REVENUE.**—The gross price spike revenue for any calendar year is an amount equal to the product of—

- (i) an amount equal to the difference between clause (i) of paragraph (6)(B) and clause (ii) of such paragraph; and
- (ii) the total number of units of the prescription drug which were sold in commerce in such calendar year.

(C) **ADJUSTMENT AMOUNT.**—The adjustment amount is the amount, if any, of the gross price spike revenue which the Inspector General has determined is due solely to an increase in the cost of the inputs necessary to manufacture the prescription drug subject to the price spike.

(b) **SUBMISSION BY PHARMACEUTICAL COMPANIES OF INFORMATION TO INSPECTOR GENERAL.**—

(1) **IN GENERAL.**—For each prescription drug, the applicable entity shall submit to the Inspector General a quarterly report that includes the following:

(A) For each prescription drug of the applicable entity—

- (i) the total number of units of the prescription drug which were sold in commerce in the preceding calendar quarter;
- (ii) the average and median price per unit of such prescription drug in commerce in the preceding calendar quarter, disaggregated by month; and
- (iii) the gross revenues from sales of such prescription drug in commerce in the preceding calendar quarter.

(B) Such information related to increased input costs or public health considerations as the applicable entity may wish the Inspector General to consider in making a determination under clause (ii) of subsection (c)(2)(B) or an assessment in clause (iii) of such subsection for the preceding calendar quarter.

(C) Such information related to any anticipated increased input costs for the subsequent calendar quarter as the applicable entity may wish the Inspector General to consider in making a determination under clause (ii) of subsection (c)(2)(B) or an assessment in clause (iii) of such subsection for such calendar quarter.

(2) **PENALTY FOR FAILURE TO SUBMIT.**—

(A) **IN GENERAL.**—An applicable entity described in paragraph (1) that fails to submit information to the Inspector General regarding a prescription drug, as required by such paragraph, before the date specified in paragraph (3) shall be liable for a civil penalty, as determined under subparagraph (B).

(B) **AMOUNT OF PENALTY.**—The amount of the civil penalty shall be equal to the product of—

(i) an amount, as determined appropriate by the Inspector General, which is—

(I) not less than 0.5 percent of the gross revenues from sales of the prescription drug described in subparagraph (A) for the preceding calendar year, and

(II) not greater than 1 percent of the gross revenues from sales of such prescription drug for the preceding calendar year, and

(ii) the number of days in the period between—

(1) the applicable date specified in paragraph (3), and

(II) the date on which the Inspector General receives the information described in paragraph (1) from the applicable entity.

(3) **SUBMISSION DEADLINE.**—An applicable entity shall submit each quarterly report described in paragraph (1) not later than January 17, April 18, June 15, and September 15 of each calendar year.

(c) **ASSESSMENT BY INSPECTOR GENERAL.**—

(1) **IN GENERAL.**—Not later than the last day in February of each year, the Inspector General, in consultation with other relevant Federal agencies (including the Federal Trade Commission), shall—

(A) complete an assessment of the information the Inspector General received pursuant to subsection (b)(1) with respect to sales of prescription drugs in the preceding calendar year; and

(B) in the case of any prescription drug which satisfies the conditions described in paragraph (1) or (2) of subsection (d), submit a recommendation to the Secretary of Health and Human Services that such drug be exempted from application of the tax imposed under section 4192 of the Internal Revenue Code of 1986 (as added by section 13833 of this Act) for such year.

(2) **ELEMENTS.**—The assessment required by paragraph (1)(A) shall include the following:

(A) Identification of each price spike relating to a prescription drug in the preceding calendar year.

(B) For each price spike identified under subparagraph (A)—

- (i) a determination of the price spike revenue;
- (ii) a determination regarding the accuracy of the information submitted by the applicable entity regarding increased input costs; and
- (iii) an assessment of the rationale of the applicable entity for the price spike.

(d) **EXEMPTION OF CERTAIN DRUGS.**—

(1) **IN GENERAL.**—The Secretary of Health and Human Services, upon recommendation of the Inspector General pursuant to subsection (c)(1)(B), may exempt any prescription drug which has been subject to a price spike during the preceding calendar year from application of the tax imposed under section 4192 of the Internal Revenue Code of 1986 for such year, if the Secretary determines that—

(A) based on information submitted pursuant to subsection (b)(1)(B), a for-cause price increase exemption should apply; or

(B)(i) the prescription drug which has been subject to a price spike has an average manufacturer price of not greater than \$10 for a 30 day supply; and

(ii) such drug is marketed by not less than 3 other holders of applications approved under subsection (c) or (j) of section 505 of the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 355), where such applications approved under such subsection (j) use as a reference drug the drug so approved under such subsection (c).

(2) **CLARIFICATION.**—In considering, under paragraph (1)(A), information submitted pursuant to subsection (b)(1)(B), the Secretary—

(A) has the discretion to determine that such information does not warrant a for-cause price increase exemption; and

(B) shall exclude from such consideration any information submitted by the applicable entity threatening to curtail or limit production of the prescription drug if the Secretary does not grant an exemption from the application of the tax under section 4192 of the Internal Revenue Code of 1986.

(e) **INSPECTOR GENERAL REPORT TO INTERNAL REVENUE SERVICE.**—

(1) **IN GENERAL.**—Subject to paragraph (3), not later than the last day in February of each year, the Inspector General shall transmit to the Internal Revenue Service a report on the findings of the Inspector General with respect to the information the Inspector General received under subsection (b)(1) with respect to the preceding calendar year and the assessment carried out by the Inspector General under subsection (c)(1)(A) with respect to such information.

(2) **CONTENTS.**—The report transmitted under paragraph (1) shall include the following:

(A) The information received under subsection (b)(1) with respect to the preceding calendar year.

(B) The price spikes identified under subparagraph (A) of subsection (c)(2).

(C) The price spike revenue determinations made under subparagraph (B)(i) of such subsection.

(D) The determinations and assessments made under clauses (ii) and (iii) of subparagraph (B) of such subsection.

(3) **NOTICE AND OPPORTUNITY FOR HEARING.**—

(A) **IN GENERAL.**—No report shall be transmitted to the Internal Revenue Service under paragraph (1) in regards to a prescription drug unless the Inspector General has provided the applicable entity with—

(i) the assessment of such drug under subsection (c)(1)(A); and

(ii) notice of their right to a hearing in regards to such assessment.

(B) **NOTICE.**—The notice required under subparagraph (A) shall be provided to the applicable entity not later than 30 days after completion of the assessment under subsection (c)(1)(A).

(C) **REQUEST FOR HEARING.**—Subject to subparagraph (E), an applicable entity may request a hearing before the Secretary of Health and Human Services not later than 30 days after the date on which the notice under subparagraph (B) is received.

(D) **COMPLETION OF HEARING.**—In the case of an applicable entity which requests a hearing pursuant to subparagraph (C), the Secretary of Health and Human Services shall, not later than 12 months after the date on which the assessment under subsection (c)(1)(A) was completed by the Inspector General—

(i) make a final determination in regards to the accuracy of such assessment; and

(ii) provide the report described in paragraph (2) to the Internal Revenue Service.

(E) **LIMITATION.**—An applicable entity may request a hearing under subparagraph (C) with respect to a particular prescription drug only once within a 5-year period.

(4) **PUBLICATION.**—

(A) **IN GENERAL.**—Not later than the last day in February of each year, subject to subparagraph (B), the Inspector General shall make the report transmitted under paragraph (1) available to the public, including on the Internet website of the Inspector General, subject to subparagraph (B).

(B) **PROPRIETARY INFORMATION.**—The Inspector General shall ensure that any information made public in accordance with subparagraph (A) excludes trade secrets and confidential commercial information.

(f) **NOTIFICATION.**—The Secretary of the Treasury, in conjunction with the Inspector General, shall notify, at such time and in such manner as the Secretary of the Treasury shall provide, each applicable entity in regard to any prescription drug which has been determined to have been subject to a price spike during the preceding calendar year and the amount of the tax imposed on such applicable entity pursuant to section 4192 of the Internal Revenue Code of 1986.

SEC. 13833. EXCISE TAX ON PRESCRIPTION DRUGS SUBJECT TO PRICE SPIKES.

(a) IN GENERAL.—Subchapter E of chapter 32 is amended by adding at the end the following new section:

“SEC. 4192. PRESCRIPTION DRUGS SUBJECT TO PRICE SPIKES.

“(a) IMPOSITION OF TAX.—
“(1) IN GENERAL.—Subject to paragraph (3), for each taxable prescription drug sold by an applicable entity during the calendar year, there is hereby imposed on such entity a tax equal to the greater of—

“(A) the annual price spike tax for such prescription drug, or

“(B) subject to paragraph (2), the cumulative price spike tax for such prescription drug.

“(2) LIMITATION.—In the case of a taxable prescription drug for which the applicable period (as determined under subsection (c)(2)(E)(i)) is less than 2 calendar years, the cumulative price spike tax shall not apply.

“(3) EXEMPTION.—For any calendar year in which the Secretary of Health and Human Services has provided an exemption for a taxable prescription drug pursuant to section 13832(d) of the Stop Price Gouging Act, the amount of the tax determined under paragraph (1) for such drug or device for such calendar year shall be reduced to zero.

“(b) ANNUAL PRICE SPIKE TAX.—

“(1) IN GENERAL.—The amount of the annual price spike tax shall be equal to the applicable percentage of the price spike revenue received by the applicable entity on the

sale of the taxable prescription drug during the calendar year.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the applicable percentage shall be equal to—

“(A) in the case of a taxable prescription drug which has been subject to a price spike percentage greater than the applicable price increase allowance (as defined in section 13832(a)(6)(C) of the Stop Price Gouging Act) but less than 15 percent, 50 percent,

“(B) in the case of a taxable prescription drug which has been subject to a price spike percentage equal to or greater than 15 percent but less than 20 percent, 75 percent, and

“(C) in the case of a taxable prescription drug which has been subject to a price spike percentage equal to or greater than 20 percent, 100 percent.

“(c) CUMULATIVE PRICE SPIKE TAX.—

“(1) IN GENERAL.—The amount of the cumulative price spike tax shall be equal to the applicable percentage of the cumulative price spike revenue received by the applicable entity on the sale of the taxable prescription drug during the calendar year.

“(2) APPLICABLE PERCENTAGE.—

“(A) IN GENERAL.—For purposes of paragraph (1), the applicable percentage shall be equal to—

“(i) in the case of a taxable prescription drug which has been subject to a cumulative price spike percentage greater than the cumulative price increase allowance but less than the first compounded percentage, 50 percent,

“(ii) in the case of a taxable prescription drug which has been subject to a cumulative price spike percentage equal to or greater than the first compounded percentage but less than the second compounded percentage, 75 percent, and

“(iii) in the case of a taxable prescription drug which has been subject to a cumulative price spike percentage equal to or greater than the second compounded percentage, 100 percent.

“(B) CUMULATIVE PRICE SPIKE PERCENTAGE.—The cumulative price spike percentage is the percentage (if any) by which—

“(i) the average manufacturer price of the taxable prescription drug in commerce for the preceding calendar year, exceeds

“(ii) the average manufacturer price of such prescription drug in commerce for the base year.

“(C) CUMULATIVE PRICE INCREASE ALLOWANCE.—For purposes of clause (i) of subparagraph (A), the cumulative price increase allowance for any calendar year is the percentage (rounded to the nearest one-tenth of 1 percent) by which the medical care consumer price index detailed expenditure category for all urban consumers (United States city average) for that year exceeds such index for the preceding calendar year.

“(D) COMPOUNDED PERCENTAGES.—For purposes of subparagraph (A), the first compounded percentage and second compounded percentage shall be determined in accordance with the following table:

	First compounded percentage	Second compounded percentage
2 years	32.25	44.00
3 years	52.09	72.80
4 years	74.90	107.36
5 years	101.14	148.83

“Number of years in applicable period

“(E) APPLICABLE PERIOD AND BASE YEAR.—

“(i) APPLICABLE PERIOD.—The applicable period shall be the lesser of—

“(I) the 5 preceding calendar years,

“(II) all calendar years beginning after the date of enactment of this section, or

“(III) all calendar years in which the taxable prescription drug was sold in commerce.

“(ii) BASE YEAR.—The base year shall be the calendar year immediately preceding the applicable period.

“(3) CUMULATIVE PRICE SPIKE REVENUE.—For purposes of paragraph (1), the cumulative price spike revenue for any taxable prescription drug shall be an amount equal to—

“(A) an amount equal to the product of—

“(i) an amount (not less than zero) equal to—

“(I) the average manufacturer price of such prescription drug in commerce for the preceding calendar year, minus

“(II) the average manufacturer price of such prescription drug in commerce for the base year, and

“(ii) the total number of units of such prescription drug which were sold in commerce in the preceding calendar year, minus

“(B) an amount equal to the sum of the adjustment amounts, if any, determined under section 13832(a)(7)(C) of the Stop Price Gouging Act for each calendar year during the applicable period.

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

“(1) TAXABLE PRESCRIPTION DRUG.—The term ‘taxable prescription drug’ means a prescription drug (as defined in section 13832(a)(5) of the Stop Price Gouging Act) which has been identified by the Inspector

General of the Department of Health and Human Services, under section 13832(c)(2)(A) of such Act, as being subject to a price spike.

“(2) OTHER TERMS.—The terms ‘applicable entity’, ‘average manufacturer price’, ‘price spike’, ‘price spike percentage’, and ‘price spike revenue’ have the same meaning given such terms under section 13832(a) of the Stop Price Gouging Act.”

(b) CLERICAL AMENDMENTS.—

(1) The heading of subchapter E of chapter 32 is amended by striking “**Medical Devices**” and inserting “**Certain Medical Devices and Prescription Drugs**”.

(2) The table of subchapters for chapter 32 is amended by striking the item relating to subchapter E and inserting the following new item:

“SUBCHAPTER E. CERTAIN MEDICAL DEVICES AND PRESCRIPTION DRUGS”.

(3) The table of sections for subchapter E of chapter 32 is amended by adding at the end the following new item:

“Sec. 4192. Prescription drugs subject to price spikes.”.

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

SEC. 13834. STUDY ON MONOPOLY MEDICAL PRODUCTS.

(a) IN GENERAL.—The Comptroller General of the United States shall conduct a study that examines—

(1) how drug manufacturers and health plans (including private insurers, the Medicare program, and State Medicaid programs) establish initial launch prices for newly approved drugs; and

(2) alternative methods that have been proposed for setting the price of new drugs.

(b) STUDY OF SPECIFIC DRUGS.—As part of the study described in subsection (a), the Comptroller General shall examine drug pricing with respect to several drugs approved within the 5-year period immediately preceding the date of enactment of this Act and explore potential alternative approaches to establish new drug prices that could help make new drugs more affordable, better reflect the clinical value of such drugs in treating patients, and maintain incentives for innovation.

(c) FACTORS.—In conducting the study described in subsection (a), the Comptroller General shall consider—

(1) what factors drug manufacturers and health plans consider in establishing initial launch prices;

(2) how initial pricing decisions by drug manufacturers and health plans affect costs and use of services for patients and public programs such as the Medicare and Medicaid programs;

(3) efforts by health plans to limit costs, including through benefit design or coverage limitations;

(4) how prices change in the first few years following a new drug’s launch; and

(5) recommendations manufacturers, health plans, and other experts have for alternative approaches to establishing new drug prices and the benefits and challenges associated with such alternative approaches.

SEC. 13835. REVENUES COLLECTED.

There are authorized to be appropriated to the Secretary of Health and Human Services such sums as are equal to any increase in

revenue to the Treasury by reason of the provisions of this Act or the amendments made by this Act for the purposes of increasing amounts available to the National Institutes of Health for research and development of drugs.

SA 1657. Mr. THUNE (for himself, Mr. GRASSLEY, Mr. ROBERTS, Mr. ISAKSON, and Mr. INHOFE) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike section 11061 and insert the following:

SEC. 11061. REPEAL OF ESTATE AND GENERATION-SKIPPING TRANSFER TAXES AND MODIFICATIONS OF GIFT TAX.

(a) REPEAL OF ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.—

(1) ESTATE TAX REPEAL.—Subchapter C of chapter 11 of subtitle B is amended by adding at the end the following new section:

Table with 2 columns: 'If the amount with respect to which the tentative tax to be computed is:' and 'The tentative tax is:'. Rows include tax brackets from 'Not over \$10,000' to 'Over \$500,000' with corresponding rates and excess amounts.

(2) TREATMENT OF CERTAIN TRANSFERS IN TRUST.—Section 2511 is amended by adding at the end the following new subsection:

“(c) TREATMENT OF CERTAIN TRANSFERS IN TRUST.—Notwithstanding any other provision of this section and except as provided in regulations, a transfer in trust shall be treated as a taxable gift under section 2503, unless the trust is treated as wholly owned by the donor or the donor’s spouse under subpart E of part I of subchapter J of chapter 1.”

(3) LIFETIME GIFT EXEMPTION.—

(A) IN GENERAL.—Paragraph (1) of section 2505(a) is amended to read as follows:

“(1) the amount of the tentative tax which would be determined under the rate schedule set forth in section 2502(a)(2) if the amount with respect to which such tentative tax is to be computed were \$5,000,000, reduced by”.

(B) INFLATION ADJUSTMENT.—Section 2505 is amended by adding at the end the following new subsection:

“(d) INFLATION ADJUSTMENT.—

“(1) IN GENERAL.—In the case of any calendar year after 2011, the dollar amount in subsection (a)(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 such calendar year by substituting ‘calendar year 2010’ for ‘calendar year 1992’ in subparagraph (A)(ii) thereof.

“SEC. 2210. TERMINATION.

“(a) IN GENERAL.—Except as provided in subsection (b), this chapter shall not apply to the estates of decedents dying on or after the date of the enactment of the Tax Cuts and Jobs Act.

“(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED DOMESTIC TRUSTS.—In applying section 2056A with respect to the surviving spouse of a decedent dying before the date of the enactment of the Tax Cuts and Jobs Act—

“(1) section 2056A(b)(1)(A) shall not apply to distributions made after the 10-year period beginning on such date, and

“(2) section 2056A(b)(1)(B) shall not apply on or after such date.”.

(2) GENERATION-SKIPPING TRANSFER TAX REPEAL.—Subchapter G of chapter 13 of subtitle B is amended by adding at the end the following new section:

“SEC. 2664. TERMINATION.

“This chapter shall not apply to generation-skipping transfers on or after the date of the enactment of the Tax Cuts and Jobs Act.”.

(3) CONFORMING AMENDMENTS.—

(A) The table of sections for subchapter C of chapter 11 is amended by adding at the end the following new item:

“Sec. 2210. Termination.”.

(B) The table of sections for subchapter G of chapter 13 is amended by adding at the end the following new item:

“Sec. 2664. Termination.”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to the estates of decedents dying, and generation-skipping transfers, after December 31, 2017.

(b) MODIFICATIONS OF GIFT TAX.—

(1) COMPUTATION OF GIFT TAX.—Subsection (a) of section 2502 is amended to read as follows:

“(a) COMPUTATION OF TAX.—

“(1) IN GENERAL.—The tax imposed by section 2501 for each calendar year shall be an amount equal to the excess of—

“(A) a tentative tax, computed under paragraph (2), on the aggregate sum of the taxable gifts for such calendar year and for each of the preceding calendar periods, over

“(B) a tentative tax, computed under paragraph (2), on the aggregate sum of the taxable gifts for each of the preceding calendar periods.

“(2) RATE SCHEDULE.—

“(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of \$10,000, such amount shall be rounded to the nearest multiple of \$10,000.”.

(4) CONFORMING AMENDMENTS.—

(A) Section 2505(a) is amended by striking the last sentence.

(B) The heading for section 2505 is amended by striking “UNIFIED”.

(C) The item in the table of sections for subchapter A of chapter 12 relating to section 2505 is amended to read as follows:

“Sec. 2505. Credit against gift tax.”.

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to gifts made after December 31, 2017.

SA 1658. Mr. THUNE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. _____. DETERMINATION OF WORKER CLASSIFICATION.

(a) IN GENERAL.—Chapter 79 is amended by adding at the end the following new section:

“SEC. 7706. DETERMINATION OF WORKER CLASSIFICATION.

“(a) IN GENERAL.—For purposes of this title (and notwithstanding any provision of this title not contained in this section to the contrary), if the requirements of subsections (b), (c), and (d) are met with respect to any service performed by a service provider, then with respect to such service—

“(1) the service provider shall not be treated as an employee,

“(2) the service recipient shall not be treated as an employer,

“(3) any payor shall not be treated as an employer, and

“(4) the compensation paid or received for such service shall not be treated as paid or received with respect to employment.

“(b) GENERAL SERVICE PROVIDER REQUIREMENTS.—

“(1) IN GENERAL.—The requirements of this subsection are met with respect to any service if the service provider either—

“(A) meets the requirements of paragraph (2) with respect to such service, or

“(B) in the case of a service provider engaged in the trade or business of selling (or soliciting the sale of) goods or services, meets the requirements of paragraph (3) with respect to such service.

“(2) GENERAL REQUIREMENTS.—

“(A) IN GENERAL.—The requirements of this paragraph are met with respect to any

service if the service provider, in connection with performing the service—

“(i) incurs expenses—

“(I) which are deductible under section 162, and

“(II) a significant portion of which are not reimbursed,

“(ii) agrees to perform the service for a particular amount of time, to achieve a specific result, or to complete a specific task, and

“(iii) satisfies not less than 1 of the factors described in subparagraph (B).

“(B) FACTORS.—The factors described in this subparagraph are the following:

“(i) The service provider has a significant investment in assets or training which are applicable to the service performed.

“(ii) The service provider is not required to perform services exclusively for the service recipient or payor.

“(iii) The service provider has not been treated as an employee by the service recipient or payor for substantially the same services during the 1-year period ending with the date of the commencement of services under the contract described in subsection (d).

“(iv) The service provider is not compensated on a basis which is tied primarily to the number of hours actually worked.

“(3) ALTERNATIVE REQUIREMENTS WITH RESPECT TO SALES PERSONS.—In the case of a service provider engaged in the trade or business of selling (or soliciting the sale of) goods or services, the requirements of this paragraph are met with respect to any service provided in the ordinary course of such trade or business if—

“(A) the service provider is compensated primarily on a commission basis, and

“(B) substantially all the compensation for such service is directly related to sales of goods or services rather than to the number of hours worked.

“(c) PLACE OF BUSINESS OR OWN EQUIPMENT REQUIREMENT.—The requirement of this subsection is met with respect to any service if the service provider—

“(1) has a principal place of business,

“(2) does not provide the service primarily in the service recipient's place of business,

“(3) pays a fair market rent for use of the service recipient's or payor's place of business, or

“(4) provides the service primarily using equipment supplied by the service provider.

“(d) WRITTEN CONTRACT REQUIREMENT.—The requirements of this subsection are met with respect to any service if such service is performed pursuant to a written contract between the service provider and the service recipient or payor, whichever is applicable, which meets the following requirements:

“(1) The contract includes each of the following:

“(A) The service provider's name, taxpayer identification number, and address.

“(B) A statement that the service provider will not be treated as an employee with respect to the services provided pursuant to the contract for purposes of this title.

“(C) A statement that the service recipient or payor will withhold upon and report to the Internal Revenue Service the compensation payable pursuant to the contract consistent with the requirements of this title.

“(D) A statement that the service provider is responsible for payment of Federal, State, and local taxes, including self-employment taxes, on compensation payable pursuant to the contract.

“(E) A statement that the contract is intended to be considered a contract described in this subsection.

The contract shall not fail to meet the requirements of this paragraph merely because the information described in subparagraph

(A) is collected at the time payment is made for the services and not in advance, or because the contract provides that an agent of the service recipient or payor will fulfill any of the responsibilities of the service recipient or payor described in the preceding subparagraphs.

“(2) The term of the contract does not exceed 2 years. The preceding sentence shall not prevent 1 or more subsequent written renewals of the contract from satisfying the requirements of this subsection if the term of each such renewal does not exceed 2 years and if the information required under paragraph (1)(A) is updated in connection with each such renewal.

“(3) The contract (or renewal) is signed (which may include signatures in electronic form) by the service recipient or payor and the service provider not later than the date on which the aggregate payments made by the service recipient or payor to the service provider exceeds \$1,000 for the year covered by the contract (or renewal).

“(e) REPORTING REQUIREMENTS.—

“(1) IN GENERAL.—For purposes of making any determination with respect to the liability of a service recipient or payor for any tax during any taxable year with respect to a service provider, the application of this section shall be conditioned on either the service recipient or the payor satisfying the reporting requirements applicable to such service recipient or payor under section 6041(a), 6041A(a), or 6050W with respect to such service provider for such period.

“(2) REASONABLE CAUSE.—For purposes of paragraph (1), such reporting requirements shall be treated as met if the failure to satisfy such requirements is due to reasonable cause and not willful neglect.

“(f) EXCEPTION FOR SERVICES PROVIDED BY OWNER.—This section shall not apply with respect to any service provided by a service provider to a service recipient or payor if the service provider owns any interest in the service recipient or the payor with respect to the service provided. The preceding sentence shall not apply in the case of a service recipient or payor the stock of which is regularly traded on an established securities market.

“(g) LIMITATION ON RECLASSIFICATION BY SECRETARY.—For purposes of this title—

“(1) EFFECT OF RECLASSIFICATION ON SERVICE RECIPIENTS AND PAYORS.—A determination by the Secretary that a service recipient or a payor should have treated a service provider as an employee shall be effective with respect to the service recipient or payor no earlier than the notice date if—

“(A) the service recipient or the payor entered into a written contract with the service provider which meets the requirements of subsection (d),

“(B) the service recipient or the payor satisfied the applicable reporting requirements of section 6041(a), 6041A(a), or 6050W for all relevant taxable years with respect to the service provider,

“(C) the service recipient or the payor collected and paid over all applicable taxes imposed under subtitle C for all relevant taxable years with respect to the service provider, and

“(D) the service recipient or the payor demonstrates a reasonable basis for having determined that the service provider should not be treated as an employee under this section and that such determination was made in good faith.

“(2) EFFECT OF RECLASSIFICATION ON SERVICE PROVIDERS.—A determination by the Secretary that a service provider should have been treated as an employee shall be effective with respect to the service provider no earlier than the notice date if—

“(A) the service provider entered into a written contract with the service recipient

or the payor which meets the requirements of subsection (d),

“(B) the service provider satisfied the applicable reporting requirements of sections 6012(a) and 6017 for all relevant taxable years with respect to the service recipient or the payor, and

“(C) the service provider demonstrates a reasonable basis for determining that the service provider is not an employee under this section and that such determination was made in good faith.

“(3) NOTICE DATE.—For purposes of this subsection, the term ‘notice date’ means the 30th day after the earliest of—

“(A) the date on which the first letter of proposed deficiency which allows the service provider, the service recipient, or the payor an opportunity for administrative review in the Internal Revenue Service Office of Appeals is sent,

“(B) the date on which a deficiency notice under section 6212 is sent, or

“(C) the date on which a notice of determination under section 7436(b)(2) is sent.

“(4) REASONABLE CAUSE EXCEPTION.—The requirements of paragraphs (1)(B), (1)(C), and (2)(B) shall be treated as met if the failure to satisfy such requirements is due to reasonable cause and not willful neglect.

“(5) NO RESTRICTION ON ADMINISTRATIVE OR JUDICIAL REVIEW.—Nothing in this subsection shall be construed as limiting any provision of law which provides an opportunity for administrative or judicial review of a determination by the Secretary.

“(h) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as—

“(1) limiting the ability or right of a service provider, service recipient, or payor to apply any other provision of this title, section 530 of the Revenue Act of 1978, or any common law rules for determining whether an individual is an employee, or

“(2) establishing a prerequisite for the application of any provision of law described in paragraph (1).

“(i) DEFINITIONS.—For purposes of this section—

“(1) SERVICE PROVIDER.—

“(A) IN GENERAL.—The term ‘service provider’ means any qualified person who performs service for another person.

“(B) QUALIFIED PERSON.—The term ‘qualified person’ means—

“(i) any natural person, or

“(ii) any entity if any of the services referred to in subparagraph (A) are performed by 1 or more natural persons who directly own interests in such entity.

“(2) SERVICE RECIPIENT.—The term ‘service recipient’ means the person for whom the service provider performs such service.

“(3) PAYOR.—The term ‘payor’ means—

“(A) any person, including the service recipient, who pays the service provider for performing such service, or

“(B) any marketplace platform, as defined in section 6050W(d)(3)(C).

“(j) REGULATIONS.—Notwithstanding section 530(d) of the Revenue Act of 1978, the Secretary shall issue such regulations as the Secretary determines are necessary to carry out the purposes of this section.”

(b) VOLUNTARY WITHHOLDING AGREEMENTS AND WORKER CLASSIFICATION.—Section 3402(p) is amended by adding at the end the following new paragraph:

“(4) WORKER CLASSIFICATION.—Agreements under paragraph (3) shall not be taken into account in determining whether any party to such agreement is an employee or an employer for purposes of this title.”

(c) WITHHOLDING BY PAYOR IN CASE OF CERTAIN PERSONS CLASSIFIED AS NOT EMPLOYEES.—Section 3402, as amended by section 13603(b)(2) of this Act, is amended by redesignating subsection (t) as subsection (u) and

inserting after subsection (s) the following new subsection:

“(t) EXTENSION OF WITHHOLDING TO PAYMENTS TO CERTAIN PERSONS CLASSIFIED AS NOT EMPLOYEES.—

“(1) IN GENERAL.—For purposes of this chapter and so much of subtitle F as relates to this chapter, compensation paid pursuant to a contract described in section 7706(d) shall be treated as if it were a payment of wages by an employer to an employee.

“(2) AMOUNT WITHHELD.—Except as otherwise provided under subsection (i), the amount to be deducted and withheld pursuant to paragraph (1) with respect to compensation paid pursuant to any such contract during any calendar year shall be an amount equal to 5 percent of so much of the amount of such compensation as does not exceed \$20,000.”

(d) DIRECT SELLERS OF PROMOTIONAL PRODUCTS.—Subsection (b) of section 3508 is amended—

(1) in paragraph (2)(A)—

(A) in clause (ii), by striking “or” at the end,

(B) in clause (iii), by adding “or” at the end, and

(C) by inserting after clause (iii) the following new clause:

“(iv) is engaged in the trade or business of selling, or soliciting the sale of, promotional products from other than a permanent retail establishment.”

(2) by redesignating paragraph (3) as paragraph (4), and

(3) by inserting after paragraph (2) the following new paragraph:

“(3) PROMOTIONAL PRODUCT.—For purposes of paragraph (2)(A)(iv), the term ‘promotional product’ means a tangible item with permanently marked promotional words, symbols, or art of the purchaser.”

(e) REPORTING.—

(1) INFORMATION AT SOURCE.—Section 6041 is amended—

(A) in subsection (a)—

(i) in the heading, by striking “\$600” and inserting “\$1,000”, and

(ii) by striking “\$600 or more in any taxable year” and inserting “\$1,000 or more in any taxable year”, and

(B) by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR CERTAIN PERSONS CLASSIFIED AS NOT EMPLOYEES.—

“(1) IN GENERAL.—In the case of any service recipient or payor required to make a return under subsection (a) with respect to compensation to which section 7706(a) applies—

“(A) such return shall include—

“(i) the aggregate amount of such compensation paid to each person whose name is required to be included on such return,

“(ii) the aggregate amount deducted and withheld under section 3402(t) with respect to such compensation, and

“(iii) an indication of whether a copy of the contract described in section 7706(d) is on file with the service recipient or payor, and

“(B) the statement required to be furnished under subsection (d) shall include the information described in subparagraph (A) with respect to the service provider to whom such statement is furnished.

“(2) DEFINITIONS.—Terms used in this subsection which are also used in section 7706 shall have the same meaning as when used in such section.”

(2) RETURNS REGARDING PAYMENTS OF REMUNERATION FOR SERVICES AND DIRECT SALES.—Section 6041A is amended—

(A) in paragraph (2) of subsection (a), by striking “\$600” and inserting “\$1,000”, and

(B) by adding at the end the following new subsection:

“(g) SPECIAL RULES FOR CERTAIN PERSONS CLASSIFIED AS NOT EMPLOYEES.—Rules simi-

lar to the rules of subsection (h) of section 6041 shall apply for purposes of this section.”

(3) RETURNS RELATING TO PAYMENTS MADE IN SETTLEMENT OF PAYMENT CARD AND THIRD PARTY NETWORK TRANSACTIONS.—Section 6050W is amended—

(A) in subsection (d), by amending paragraph (3) to read as follows:

“(3) THIRD PARTY PAYMENT NETWORK.—

“(A) IN GENERAL.—The term ‘third party payment network’ means any agreement or arrangement—

“(i) which involves the establishment of accounts with a central organization or marketplace platform by a substantial number of persons who—

“(I) are unrelated to such organization or platform,

“(II) provide goods or services, and

“(III) have agreed to settle transactions for the provision of such goods or services pursuant to such agreement or arrangement,

“(ii) which provides for standards and mechanisms for settling such transactions, and

“(iii) which guarantees persons providing goods or services pursuant to such agreement or arrangement that such persons will be paid for providing such goods or services.

“(B) EXCEPTION.—The term ‘third party payment network’ shall not include any agreement or arrangement which provides for the issuance of payment cards.

“(C) MARKETPLACE PLATFORM.—For purposes of subparagraph (A), the term ‘marketplace platform’ means any person who—

“(i) operates a digital website, mobile application, or similar system that facilitates the provision of goods or services by providers to recipients,

“(ii) enters into an agreement with each provider stating that such provider will not be treated as an employee with respect to such goods or services,

“(iii) provides standards and mechanisms for settling such facilitated transactions, and

“(iv) guarantees each provider of goods or services pursuant to such agreement that the provider will be paid for such facilitated transaction.”

(B) by amending subsection (e) to read as follows:

“(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY THIRD PARTY SETTLEMENT ORGANIZATIONS.—

“(1) IN GENERAL.—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 the amount which would otherwise be reported under subsection (a)(2) with respect to such transactions exceeds \$1,000.

“(2) EXCEPTION.—

“(A) MARKETPLACE PLATFORMS.—In the case of a third party settlement organization which is a marketplace platform (as defined in subsection (d)(3)(C)) through which substantially all the participating payees are primarily engaged in the sale of goods, such marketplace platform shall be required to report any information under subsection (a) with respect to third party network transactions of such payee only if—

“(i) the amount which would otherwise be reported under subsection (a)(2) with respect to such transaction exceeds \$5,000, or

“(ii) the aggregate number of transactions exceeds 50.

“(B) OTHER THIRD PARTY SETTLEMENT ORGANIZATIONS.—In the case of a third party settlement organization other than a marketplace platform—

“(i) the rules of subparagraph (A) shall apply in the case of information required to be reported, or which would otherwise be re-

ported, under subsection (a) to any participating payee who is primarily engaged in the sale of goods, and

“(ii) the determination of whether a participating payee is primarily engaged in the sale of goods may be made separately for each participating payee.

“(3) ELECTION TO REPORT.—Notwithstanding paragraphs (1) and (2), a third party settlement organization may elect to report any information under subsection (a) with respect to third party network transactions of any participating payee without regard to the amount reported under subsection (a)(2) with respect to such transactions or the aggregate number of such transactions.”, and

(C) in subsection (f)—

(i) in paragraph (1), by striking “and” at the end,

(ii) in paragraph (2), by striking the period at the end and inserting “, and”, and

(iii) by inserting after paragraph (2) the following new paragraph:

“(3) the amount, if any, withheld pursuant to section 3402(t).”

(f) PROCEEDINGS FOR DETERMINATION OF EMPLOYMENT STATUS.—Paragraph (1) of section 7436(b) is amended to read as follows:

“(1) PETITIONER.—A pleading may be filed under this section only by—

“(A) the person for whom the services are performed, including the service recipient or the payor, or

“(B) any service provider which the Secretary has determined should have been treated as an employee.

All terms used in this paragraph which are also used in section 7706 have the meanings given such terms in section 7706(i).”

(g) CLERICAL AMENDMENT.—The table of sections for chapter 79 is amended by adding at the end the following new item:

“Sec. 7706. Determination of worker classification.”

(h) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to services performed after December 31, 2017 (and to payments made for such services after such date).

(2) GRACE PERIOD TO BEGIN WITHHOLDING.—A contract shall not be treated as failing to meet the requirements of section 7706(d)(1)(C) of the Internal Revenue Code of 1986 (as added by this section), and a service recipient or payor shall not be treated as failing to meet any such requirement, with respect to compensation paid to a service provider before the date that is 180 days after the date of the enactment of this Act.

(3) EXCEPTION FOR DE MINIMIS PAYMENTS BY THIRD PARTY SETTLEMENT ORGANIZATIONS.—The amendments made by subsection (e) shall apply to payments made after December 31, 2018.

SA 1659. Mr. THUNE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subpart B of part IX of subtitle C of title I, insert the following:

SEC. 13824. SENSE OF THE SENATE RELATING TO THE PROTECTION OF CHARITABLE DEDUCTIONS.

(a) FINDINGS.—The Senate makes the following findings:

(1) The deduction for charitable contributions has been an important and effective part of the tax code for almost 100 years.

(2) The deduction for charitable contributions is unique as it is the only provision

that encourages taxpayers to give away a portion of their income for the benefit of others.

(3) In 2012, nonprofit organizations provided 11,400,000 jobs, accounting for 10.3 percent of the country's private-sector workforce.

(4) In 2015, total charitable giving was estimated to be \$373,250,000,000 (a 4.1-percent increase from 2014) and accounted for 2.1 percent of the gross domestic product.

(b) SENSE OF THE SENATE.—It is the sense of the Senate that—

(1) encouraging charitable giving should be a goal of tax reform; and

(2) Congress should ensure that the value and scope of the deduction for charitable contributions is not diminished during a comprehensive reform of the tax code.

SEC. 13825. INCREASE IN CARRYOVER PERIOD FOR EXCESS CHARITABLE CONTRIBUTIONS.

(a) INDIVIDUALS.—Section 170(d)(1)(A) is amended—

(1) by striking “5 succeeding taxable years” and inserting “15 succeeding taxable years”, and

(2) by striking “the second, third, fourth, or fifth succeeding taxable year” in clause (ii) and inserting “the second or any succeeding taxable year in such 15-year period”.

(b) CORPORATIONS.—Section 170(d)(2)(A) is amended—

(1) by striking “5 succeeding taxable years” and inserting “15 succeeding taxable years”, and

(2) by striking “the second, third, fourth, or fifth succeeding taxable year” in clause (ii) and inserting “the second or any succeeding taxable year in such 15-year period”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13826. DETERMINATION OF STANDARD MILEAGE RATE FOR CHARITABLE CONTRIBUTIONS DEDUCTION.

(a) DETERMINATION OF STANDARD MILEAGE RATE FOR CHARITABLE CONTRIBUTIONS DEDUCTION.—Subsection (i) of section 170 is amended to read as follows:

“(i) STANDARD MILEAGE RATE FOR USE OF PASSENGER AUTOMOBILE.—For purposes of computing the deduction under this section for use of a passenger automobile, the standard mileage rate shall be the rate determined by the Secretary, which rate shall not be less than the standard mileage rate used for purposes of section 213.”

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

SEC. 13827. MODIFICATION OF RULES RELATING TO DONOR ADVISED FUNDS.

(a) ALLOWANCE OF TAX-FREE CHARITABLE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT ACCOUNTS.—

(1) IN GENERAL.—Clause (i) of section 408(d)(8)(B) is amended by striking “or any fund or account described in section 4966(d)(2)”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made in taxable years beginning after December 31, 2016.

(b) RETURN DISCLOSURES.—

(1) DISTRIBUTIONS.—Subsection (k) of section 6033 is amended—

(A) in paragraph (2), by striking “and” at the end;

(B) in paragraph (3), by striking the period at the end and inserting a comma; and

(C) by adding at the end the following new paragraphs:

“(4) list the total number of such funds which were in existence for the 36-month period ending at the close of such taxable year,

“(5) list the total number of funds described in paragraph (4) which made at least

1 grant during the period described in such paragraph, and

“(6) set forth—

“(A) whether such organization has a publicly available policy with respect to funds which are inactive, dormant, or do not make distributions during the period described in paragraph (4),

“(B) a description of the organization's policy for responding to funds described in subparagraph (A) or a statement that no such policy is in effect, and

“(C) whether such organization regularly and consistently monitors and enforces compliance with the policy described in subparagraph (A) with respect to such funds.”

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to returns for taxable years beginning after December 31, 2017.

SEC. 13828. MODIFICATION OF THE TAX RATE FOR THE EXCISE TAX ON INVESTMENT INCOME OF PRIVATE FOUNDATIONS.

(a) IN GENERAL.—Section 4940(a) is amended by striking “2 percent” and inserting “1 percent”.

(b) ELIMINATION OF REDUCED TAX WHERE FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIREMENTS.—Section 4940 of such Code is amended by striking subsection (e).

(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. 13829. EXCEPTION FROM PRIVATE FOUNDATION EXCESS BUSINESS HOLDING TAX FOR INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS HOLDINGS.

(a) IN GENERAL.—Section 4943 is amended by adding at the end the following new subsection:

“(g) EXCEPTION FOR CERTAIN HOLDINGS LIMITED TO INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS.—

“(1) IN GENERAL.—Subsection (a) shall not apply with respect to the holdings of a private foundation in any business enterprise which meets the requirements of paragraphs (2), (3), and (4) for the taxable year.

“(2) OWNERSHIP.—The requirements of this paragraph are met if—

“(A) 100 percent of the voting stock in the business enterprise is held by the private foundation at all times during the taxable year, and

“(B) all the private foundation's ownership interests in the business enterprise were acquired by means other than by purchase.

“(3) ALL PROFITS TO CHARITY.—

“(A) IN GENERAL.—The requirements of this paragraph are met if the business enterprise, not later than 120 days after the close of the taxable year, distributes an amount equal to its net operating income for such taxable year to the private foundation.

“(B) NET OPERATING INCOME.—For purposes of this paragraph, the net operating income of any business enterprise for any taxable year is an amount equal to the gross income of the business enterprise for the taxable year, reduced by the sum of—

“(i) the deductions allowed by chapter 1 for the taxable year which are directly connected with the production of such income,

“(ii) the tax imposed by chapter 1 on the business enterprise for the taxable year, and

“(iii) an amount for a reasonable reserve for working capital and other business needs of the business enterprise.

“(4) INDEPENDENT OPERATION.—The requirements of this paragraph are met if, at all times during the taxable year—

“(A) no substantial contributor (as defined in section 4958(c)(3)(C)) to the private foundation or family member (as determined under section 4958(f)(4)) of such a contributor

is a director, officer, trustee, manager, employee, or contractor of the business enterprise (or an individual having powers or responsibilities similar to any of the foregoing),

“(B) at least a majority of the board of directors of the private foundation are persons who are not—

“(i) directors or officers of the business enterprise, or

“(ii) family members (as so determined) of a substantial contributor (as so defined) to the private foundation, and

“(C) there is no loan outstanding from the business enterprise to a substantial contributor (as so defined) to the private foundation or to any family member of such a contributor (as so determined).

“(5) CERTAIN DERMED PRIVATE FOUNDATIONS EXCLUDED.—This subsection shall not apply to—

“(A) any fund or organization treated as a private foundation for purposes of this section by reason of subsection (e) or (f),

“(B) any trust described in section 4947(a)(1) (relating to charitable trusts), and

“(C) any trust described in section 4947(a)(2) (relating to split-interest trusts).”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1660. Mr. THUNE submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subpart D of part VI of subtitle C of title I, add the following:

SEC. 13543. MODIFICATIONS TO S CORPORATION PASSIVE INVESTMENT INCOME RULES.

(a) INCREASED PERCENTAGE LIMIT.—Section 1375(a)(2) is amended by striking “25 percent” and inserting “60 percent”.

(b) REPEAL OF EXCESSIVE PASSIVE INCOME AS A TERMINATION EVENT.—Section 1362(d) is amended by striking paragraph (3).

(c) CONFORMING AMENDMENTS.—

(1) Section 1375(b) is amended by striking paragraphs (3) and (4) and inserting the following new paragraph:

“(3) PASSIVE INVESTMENT INCOME DEFINED.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, the term ‘passive investment income’ means gross receipts derived from royalties, rents, dividends, interest, and annuities.

“(B) EXCEPTION FOR INTEREST ON NOTES FROM SALES OF INVENTORY.—The term ‘passive investment income’ shall not include interest on any obligation acquired in the ordinary course of the corporation's trade or business from its sale of property described in section 1221(a)(1).

“(C) TREATMENT OF CERTAIN LENDING OR FINANCE COMPANIES.—If the S corporation meets the requirements of section 542(c)(6) for the taxable year, the term ‘passive investment income’ shall not include gross receipts for the taxable year which are derived directly from the active and regular conduct of a lending or finance business (as defined in section 542(d)(1)).

“(D) TREATMENT OF CERTAIN DIVIDENDS.—If an S corporation holds stock in a C corporation meeting the requirements of section 1504(a)(2), the term ‘passive investment income’ shall not include dividends from such C corporation to the extent such dividends are attributable to the earnings and profits of such C corporation derived from the active conduct of a trade or business.

“(E) EXCEPTION FOR BANKS, ETC.—In the case of a bank (as defined in section 581) or

a depository institution holding company (as defined in section 3(w)(1) of the Federal Deposit Insurance Act (12 U.S.C. 1813(w)(1))), the term ‘passive investment income’ shall not include—

“(i) interest income earned by such bank or company, or

“(ii) dividends on assets required to be held by such bank or company, including stock in the Federal Reserve Bank, the Federal Home Loan Bank, or the Federal Agricultural Mortgage Bank or participation certificates issued by a Federal Intermediate Credit Bank.

“(F) GROSS RECEIPTS FROM THE SALES OF CERTAIN ASSETS.—For purposes of this paragraph—

“(i) CAPITAL ASSETS OTHER THAN STOCK AND SECURITIES.—In the case of dispositions of capital assets (other than stock and securities), gross receipts from such dispositions shall be taken into account only to the extent of capital gain net income therefrom.

“(ii) STOCK AND SECURITIES.—In the case of sales or exchanges of stock or securities, gross receipts shall be taken into account only to the extent of the gain therefrom.

“(G) COORDINATION WITH SECTION 1374.—The amount of passive investment income shall be determined by not taking into account any recognized built-in gain or loss of the S corporation for any taxable year in the recognition period. Terms used in the preceding sentence shall have the same respective meanings as when used in section 1374.”

(2)(A) Section 26(b)(2)(J) is amended by striking “25 percent” and inserting “60 percent”.

(B) Section 1375(b)(1)(A)(i) is amended by striking “25 percent” and inserting “60 percent”.

(C) The heading for section 1375 is amended by striking “25 PERCENT” and inserting “60 PERCENT”.

(D) The item relating to section 1375 in the table of sections for part III of subchapter S of chapter 1 is amended by striking “25 percent” and inserting “60 percent”.

(3) Section 1042(c)(4)(A)(i) is amended by striking “section 1362(d)(3)(C)” and inserting “section 1375(b)(3)”.

(4) Section 1362(f)(1)(B) is amended by striking “paragraph (2) or (3) of subsection (d)” and inserting “subsection (d)(2)”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13544. EXPANSION OF S CORPORATION ELIGIBLE SHAREHOLDERS TO INCLUDE IRAS.

(a) IN GENERAL.—Section 1361(c)(2)(A)(vi) is amended to read as follows:

“(vi) A trust which constitutes an individual retirement account under section 408(a), including one designated as a Roth IRA under section 408A.”

(b) SALE OF STOCK IN IRA RELATING TO S CORPORATION ELECTION EXEMPT FROM PROHIBITED TRANSACTION RULES.—Section 4975(d)(16) is amended—

(1) by striking subparagraphs (A) and (B) and by redesignating subparagraphs (C), (D), (E), and (F) as subparagraphs (A), (B), (C), and (D), respectively, and

(2) by striking “such bank or company” in subparagraph (A) (as so redesignated) and inserting “the issuer of such stock”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2018.

SEC. 13545. AMORTIZATION OF S CORPORATION BUILT-IN GAIN AMOUNT UPON DEATH OF SHAREHOLDER.

(a) IN GENERAL.—Part II of subchapter S of chapter 1 is amended by adding at the end the following:

“SEC. 1369. AMORTIZATION OF BUILT-IN GAIN AMOUNT UPON DEATH OF SHAREHOLDER.

“(a) IN GENERAL.—A person holding stock in an electing S corporation the basis of which is determined under section 1014(a) (hereafter in this section referred to as the ‘shareholder’) shall be allowed a deduction with respect to the S corporation built-in gain amount. The amount of such deduction for any taxable year shall be determined by amortizing the S corporation built-in gain amount over the 15-year period beginning with the month which includes the applicable valuation date.

“(b) S CORPORATION BUILT-IN GAIN AMOUNT.—For purposes of this section, the term ‘S corporation built-in gain amount’ means the lesser of—

“(1) the excess (if any) of—

“(A) the basis of the stock referred to in subsection (a) as determined under section 1014(a), over

“(B) the adjusted basis of such stock immediately before the death of the decedent, or

“(2) the pro rata share (determined as of the applicable valuation date) of—

“(A) the aggregate fair market value of all property held by the S corporation which is of a character subject to depreciation or amortization, over

“(B) the aggregate adjusted basis of all such property held by the S corporation as of such date.

“(c) ELECTING S CORPORATION.—For purposes of this section, the term ‘electing S corporation’ means, with respect to any shareholder, any S corporation which elects the application of this section with respect to such shareholder at such time and in such form and manner as the Secretary may prescribe.

“(d) APPLICABLE VALUATION DATE.—For purposes of this section, the term ‘applicable valuation date’ means—

“(1) in the case of a decedent with respect to which the executor of the decedent’s estate elects the application of section 2032, the date 6 months after the decedent’s death, and

“(2) in the case of any other decedent, the date of the decedent’s death.

“(e) ACCELERATED DEDUCTION IN CASE OF DISPOSITION OF S CORPORATION PROPERTY.—

“(1) IN GENERAL.—If the electing S corporation disposes of any property which was taken into account under subsection (b)(2), then the deduction allowed under subsection (a) with respect to any stock, for the taxable year of the shareholder in which or with which the taxable year of the S corporation which includes the date of such disposition ends, shall (except as otherwise provided in this section) not be less than the lesser of—

“(A) the pro rata share of the gain recognized on such disposition, or

“(B) the amount determined under subsection (b)(2) by only taking into account such property.

“(2) OVERALL ALLOWANCE NOT INCREASED.—No deduction shall be allowed under subsection (a) with respect to any stock for any taxable year to the extent that such deduction (when added to the deductions so allowed for all prior taxable years) exceeds the S corporation built-in gain amount with respect to such stock.

“(f) RECHARACTERIZATION OF GAINS AS ORDINARY INCOME TO EXTENT OF DEDUCTION.—If—

“(1) stock of an S corporation with respect to which a deduction was allowed under this section, or

“(2) property which was taken into account under subsection (b)(2) with respect to such stock,

is disposed of at a gain (determined without regard to whether or not such gain is recog-

nized and reduced by any amount of gain which is treated as ordinary income under any other provision of this subtitle), the amount of such gain (or the shareholder’s pro rata share of such gain in the case of property described in paragraph (2)) shall be treated as gain which is ordinary income (and shall be recognized notwithstanding any other provision of this subtitle) to the extent of the excess of the aggregate deductions allowable under this section with respect to such stock for the taxable year of such disposition and all prior taxable years over the amounts taken into account under this subsection for all prior taxable years.

“(g) TERMINATION OF AMORTIZATION.—No deduction shall be allowed under subsection (a) with respect to any stock in an electing S corporation with respect to any period beginning after the earlier of—

“(1) the date on which the corporation’s election under section 1362 terminates, or

“(2) the date on which the shareholder transfers such stock to any other person.

“(h) TREATMENT OF CERTAIN TRANSFERS.—

“(1) DISTRIBUTIONS FROM ESTATES OR TRUSTS.—Notwithstanding any other provision of this section, in the case of a distribution of stock from an estate or trust to a beneficiary, the beneficiary (and not the estate or trust) shall be treated as the shareholder to which this section applies with respect to periods after such distribution.

“(2) CERTAIN TRANSFERS INVOLVING SPOUSES.—Notwithstanding any other provision of this section, in the case of a transfer described in section 1041, the transferee (and not the transferor) shall be treated as the shareholder to which this section applies with respect to periods after such transfer.

“(i) TREATMENT OF INCOME IN RESPECT OF THE DECEDENT.—

“(1) ADJUSTMENT TO BUILT-IN GAIN OF PROPERTY HELD BY S CORPORATION.—For purposes of subsection (b)(2), the fair market value of any property taken into account under subparagraph (A) thereof shall be decreased by any amount of income in respect of the decedent with respect to such property to which section 691 applies. For purposes of subsection (e)(1)(A), the gain recognized on the disposition of such property shall be reduced by such amount.

“(2) ADJUSTMENT TO BASIS OF S CORPORATION STOCK.—For adjustment to basis of S corporation stock, see section 1367(b)(4)(B).

“(j) REPORTING.—Except as otherwise provided by the Secretary, for purposes of section 6037, the amounts determined under subsections (b)(2), (e)(1), and (f)(2) shall be treated as items of the corporation and the pro rata share determined under such subsection shall be furnished to the shareholder under section 6037(b).”

(b) ADJUSTMENT TO BASIS OF STOCK.—

(1) IN GENERAL.—Section 1367(a)(2) is amended by striking “and” at the end of subparagraph (D), by striking the period at the end of subparagraph (E) and inserting “, and”, and by inserting after subparagraph (E) the following new subparagraph:

“(F) the amount of the shareholder’s deduction under section 1369.”

(2) ADJUSTMENT NOT TAKEN INTO ACCOUNT IN DETERMINING TREATMENT OF DISTRIBUTIONS.—Section 1368 is amended—

(A) in subsection (d)(1), by inserting “(other than subsection (a)(2)(F) thereof)” after “section 1367”, and

(B) in subsection (e)(1)(A)—

(i) by striking “this title and the phrase” and inserting “this title, the phrase”, and

(ii) by inserting “, and no adjustment shall be made under section 1367(a)(2)(F)” after “section 1367(a)(2)”.

(c) CLERICAL AMENDMENT.—The table of sections for part II of subchapter S of chapter 1 is amended by adding at the end the following new item:

“Sec. 1369. Amortization of built-in gain amount upon death of shareholder.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to with respect to decedents dying after the date of the enactment of this Act, in taxable years ending after such date.

SEC. 13546. EXTENSION OF TIME FOR MAKING S CORPORATION ELECTIONS.

(a) IN GENERAL.—Subsection (b) of section 1362 is amended to read as follows:

“(b) WHEN MADE.—

“(1) IN GENERAL.—An election under subsection (a) may be made by a small business corporation for any taxable year not later than the due date for filing the return of the S corporation for such taxable year (including extensions).

“(2) CERTAIN ELECTIONS TREATED AS MADE FOR NEXT TAXABLE YEAR.—If—

“(A) an election under subsection (a) is made for any taxable year within the period described in paragraph (1), but

“(B) either—

“(i) on 1 or more days in such taxable year and before the day on which the election was made the corporation did not meet the requirements of subsection (b) of section 1361, or

“(ii) 1 or more of the persons who held stock in the corporation during such taxable year and before the election was made did not consent to the election,

then such election shall be treated as made for the following taxable year.

“(3) AUTHORITY TO TREAT LATE ELECTIONS, ETC., AS TIMELY.—If—

“(A) an election under subsection (a) is made for any taxable year after the date prescribed by this subsection for making such election for such taxable year or no such election is made for any taxable year, and

“(B) the Secretary determines that there was reasonable cause for the failure to timely make such election,

the Secretary may treat such an election as timely made for such taxable year.

“(4) ELECTION ON TIMELY FILED RETURNS.—Except as otherwise provided by the Secretary, an election under subsection (a) for any taxable year may be made on a timely filed return of the S corporation for such taxable year.

“(5) SECRETARIAL AUTHORITY.—The Secretary may prescribe such regulations, rules, or other guidance as may be necessary or appropriate for purposes of applying this subsection.”.

(b) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

(1) QUALIFIED SUBCHAPTER S SUBSIDIARIES.—Section 1361(b)(3)(B) is amended by adding at the end the following flush sentence:

“Rules similar to the rules of section 1362(b) shall apply with respect to any election under clause (ii).”.

(2) QUALIFIED SUBCHAPTER S TRUSTS.—Section 1361(d)(2) is amended by striking subparagraph (D).

(c) REVOCATIONS.—Paragraph (1) of section 1362(d) is amended—

(1) by striking “subparagraph (D)” in subparagraph (C) and inserting “subparagraphs (D) and (E)”, and

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

“(E) AUTHORITY TO TREAT LATE REVOCATIONS AS TIMELY.—If—

“(i) a revocation under subparagraph (A) is made for any taxable year after the date prescribed by this paragraph for making such revocation for such taxable year or no such revocation is made for any taxable year, and

“(ii) the Secretary determines that there was reasonable cause for the failure to timely make such revocation,

the Secretary may treat such a revocation as timely made for such taxable year.”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to elections for taxable years beginning after December 31, 2017.

(2) REVOCATIONS.—The amendments made by subsection (c) shall apply to revocations after December 31, 2017.

SA 1661. Mr. BROWN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. _____. INCREASE INCOME EXCLUSION FOR BENEFITS PROVIDED TO VOLUNTEER FIREFIGHTERS AND EMERGENCY MEDICAL RESPONDERS.

(a) IN GENERAL.—

(1) APPLICABLE DOLLAR LIMITATION.—Section 139B(c)(2)(B) is amended by striking “\$30” and inserting “\$100”.

(2) PERMANENT EXCLUSION.—Section 139B is amended by striking subsection (d).

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

(b) ADJUSTMENT TO CORPORATE TAX RATE.—

(1) IN GENERAL.—Section 11(b), as amended by section 13001 of this Act, is amended by striking “20 percent” and inserting “21 percent”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2018.

AUTHORITY FOR COMMITTEES TO MEET

Mr. TILIS. Mr. President, I have 7 requests for committees to meet during today's session of the Senate. They have the approval of the Majority and Minority leaders.

Pursuant to rule XXVI, paragraph 5(a), of the Standing Rules of the Senate, the following committees are authorized to meet during today's session of the Senate:

COMMITTEE ON ARMED SERVICES

The Committee on Armed Services is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, to conduct a hearing on nominations.

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

The Committee on Commerce, Science, and Transportation is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, at 10:30 a.m. to conduct a hearing on the nominations of Barry Lee Myers, of Pennsylvania, to be Under Secretary of Commerce for Oceans and Atmosphere.

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

The Committee on Environment and Public Works is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, at 10 a.m. in room SD-406 to conduct a hearing on 19 General Services Administra-

tion resolutions and the following nominations: Kathleen Hartnett White, of Texas, to be a Member of the Council on Environmental Quality and Andrew Wheeler, of Virginia, to be Deputy Administrator of the Environmental Protection Agency.

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

The Committee on Health, Education, Labor, and Pensions is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, at 9:30 a.m. in room SD-430 to conduct a hearing on the nominations of Alex Michael Azar II, of Indiana, to be Secretary of Health and Human Services.

COMMITTEE ON THE JUDICIARY

The Committee on the Judiciary is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, at 10 a.m., in room SD-226, to conduct a hearing on the following nominations: Stuart Kyle Duncan, of Louisiana, to be United States Circuit Judge for the Fifth Circuit, David Ryan Stras, of Minnesota, to be United States Circuit Judge for the Eighth Circuit, Fernando Rodriguez, Jr., to be United States District Judge for the Southern District of Texas, and Andrei Iancu, of California, to be Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office.

COMMITTEE ON VETERANS' AFFAIRS

The Committee on Veterans' Affairs is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, at 2:30 p.m., in room SR-418 to conduct a hearing on the bill entitled “Caring for Our Veterans Act of 2017”.

SELECT COMMITTEE ON INTELLIGENCE

The Select Committee on Intelligence is authorized to meet during the session of the Senate on Wednesday, November 29, 2017, at 3 p.m., in room S-127 to hold a closed hearing.

PRIVILEGES OF THE FLOOR

Mr. WYDEN. Mr. President, I ask unanimous consent that the following individuals in my personal and Finance Committee offices be granted floor privileges for the remainder of this Congress: Claudette Yazbek, Karlen Yallup, Lawrence Doppelt, Jonathan Harris, Rachael Kauss, and Michael Cecil.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ENZI. Mr. President, I ask unanimous consent for six additional full floor access passes to be equally divided between the majority and the minority during the consideration of H.R. 1 for the following staffers: for the majority, Eric Euland, Rebecca Cole, and Paul Vinovich; for the minority, Mike Jones, Jill Harrelson, and Josh Smith; finally, that Natalie Rico, a fellow in Senator SANDERS' office, be granted floor privileges during the consideration of H.R. 1.