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Tax Provisions in H.R. 1, the One Big Beautiful Bill Act: House-Passed Version

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SUMMARY

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May 27, 2025

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On May 22, 2025, the House passed H.R. 1, the One Big Beautiful Bill Act. That act provides for reconciliation pursuant to Title II of H.Con.Res. 14, the Concurrent Resolution on the Budget for FY2025. Title XI of H.R. 1 contains tax provisions, which are identified as the "tax provisions in the One Big Beautiful Bill Act" in this report.

Many of the tax provisions are modifications or extensions of provisions of P.L. 115-97, commonly known as the Tax Cuts and Jobs Act or TCJA. Several provisions in the TCJA are set to expire at the end of 2025, or have changed within the last several years. These provisions include changes such as modified individual income tax rates, a higher standard deduction and child tax credit, suspension of personal exemptions, a deduction for pass-through business income, bonus depreciation for business investments, changes to how business research costs are recovered, and changes to the limitation on deducting interest on indebtedness by certain businesses.

This report provides a section-by-section summary of the tax provisions in Title XI of H.R. 1, as passed by the House. Specifically, a set of tables describes each provision in H.R. 1, by subtitle, and provides references to related CRS products. A small number of Title XI provisions that are not directly related to tax policy are omitted.

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On May 22, 2025, the House passed H.R. 1, the One Big Beautiful Bill Act.[1] That act provides for reconciliation pursuant to Title II of H.Con.Res. 14, the Concurrent Resolution on the Budget for FY2025.[2] Title XI of H.R. 1 contains tax provisions, which are identified as the "tax provisions in the One Big Beautiful Bill Act" in this report.

Earlier legislative consideration of what became H.R. 1 included a House Committee on Ways and Means markup on May 13-14, 2025[3]; House Committee on the Budget markups on May 16, 2025[4], and May 18, 2025[5]; and a House Committee on Rules hearing on May 19, 2025.[6]

Many of the tax provisions are extensions or modifications of similar provisions in P.L. 115-97, commonly known as the Tax Cuts and Jobs Act or the TCJA. For background on the TCJA generally, and the expiring provisions in particular, see

- CRS Report R47846, *Reference Table: Expiring Provisions in the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97)*, by Donald J. Marples and Brendan McDermott;
- CRS Report R48286, *Expiring Provisions of P.L. 115-97 (the Tax Cuts and Jobs Act): Economic Issues*, coordinated by Jane G. Gravelle; and
- CRS Report R48485, *Economic Effects of the Tax Cuts and Jobs Act*, by Jane G. Gravelle and Donald J. Marples.

This report summarizes the tax provisions in Title XI of the One Big Beautiful Bill Act, including the following:

- Subtitle A, Part 1, would extend many of the expiring TCJA provisions affecting individuals and families, including reduced income tax rates, the increased standard deduction, the elimination of personal exemptions, the expanded child tax credit, increased exemptions for the estate and gift tax and alternative minimum tax, the deduction for pass-through business income, and others. Several of these provisions are increased beyond their levels in the TCJA, including a temporary increase in the standard deduction and an increase in the qualified business income deduction rate to 23%.
- Subtitle A, Part 2, would provide additional individual-related tax reductions beyond those in the TCJA, including new deductions for tip income, qualified overtime pay, and car loan interest paid on vehicles assembled in the United

[1] The text of H.R. 1, as it passed the House on May, 22, 2025, consisted of Rules Committee Print 119-3 as modified by the Manager's Amendment printed in H. Rept. 119-113. See House Committee on Rules, Rules Committee Print 119-3, https://rules.house.gov/sites/evo-subsites/rules.house.gov/files/documents/rcp_119-3_final.pdf and House Committee on Rules, *Providing for Consideration of the Bill (H.R. 1) to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14*, https://www.govinfo.gov/content/pkg/CRPT-119hrpt113/pdf/CRPT-119hrpt113.pdf.

[2] For background on the budget resolution, see CRS Report R48532, *H.Con.Res. 14: The Budget Resolution for FY2025*, by Drew C. Aherne and Megan S. Lynch.

[3] Information on the markup is available at House Committee on Ways and Means, "Full Committee Markup of Legislative proposals to comply with the reconciliation directive included in section 2001 of the Concurrent Resolution on the Budget for Fiscal Year 2025, H. Con. Res. 14," May 13, 2025, https://waysandmeans.house.gov/event/full-committee-markup-of-legislative-proposals-to-comply-with-the-reconciliation-directive-included-in-section-2001-of-the-concurrent-resolution-on-the-budget-for-fiscal-year-2025-h-con-res-14/.

[4] Information on this markup is available at House Committee on the Budget, "Markup Notice: House Committee on the Budget," May 16, 2025, https://budget.house.gov/hearing/markup-notice-house-committee-on-the-budget.

[5] Information on this markup is available at House Committee on the Budget, "Reconvening Notice; House Committee on the Budget," May 18, 2025, https://budget.house.gov/hearing/reconvening-notice-house-committee-on-the-budget.

[6] Documents related to the Rules Committee hearing are available at https://rules.house.gov/bill/119/hr-ORH-one-big-beautiful-bill-act.

States. Other changes would include an increased deduction for seniors, extensions and expansions of the employer-provided child care tax credit and the employer credit for paid family and medical leave, several provisions related to education, and others.

- Subtitle A, Part 3, would make changes to several health-related tax provisions. It would create CHOICE arrangements, tax-advantaged arrangements that could be used to purchase medical care and health coverage. It would also make a number of changes to health savings accounts (HSAs)—another type of tax-advantaged account—that would generally expand the number of people eligible for HSAs and the expenses eligible to be paid through an HSA, and make HSA-related changes.
- Subtitle B, Part 1, would extend several of the expiring TCJA provisions for businesses, including bonus depreciation, deductions for research and experimental expenditures, a higher income limit for the deduction of business interest, and extensions related to several international corporate tax provisions.
- Subtitle B, Part 2, would provide additional business-related tax reductions beyond those in the TCJA. These include extending bonus depreciation to additional types of property, increasing the dollar limit for Section 179 expensing (often used by small businesses), modifying the low-income housing tax credit, increasing the dollar threshold for a statutory "small manufacturing" business, and extending and reforming the Opportunity Zone tax program.
- Subtitle C, Part 1, would make a number of changes, most of which are expected to raise revenue. These changes include early termination of many energy-related tax incentives, such as the tax credits for clean vehicles and the production and investment tax credits for clean electricity. This part would provide for a state and local tax (SALT) deduction cap of $40,000 in tax year 2026 for most taxpayers, with reduced amounts for taxpayers with higher incomes. It would also make several changes related to business deductions and regulatory excise taxes.
- Subtitle C, Part 2, would make several tax changes for individuals with certain immigration statuses (including undocumented immigrants) that are expected to raise revenue. These would include restricting health-related premium tax credit eligibility, an excise tax on remittance transfers for non-U.S. citizens, and requiring Social Security numbers for two education-related tax credits.
- Subtitle C, Part 3, would make a number of changes related to tax administration and enforcement that are generally expected to raise revenue. These would include changes to the health-related premium tax credit, certification requirements for the earned income tax credit (EITC), and several enforcement changes and an early termination of the COVID employee retention credit (COVID ERC).
- Subtitle D would increase the maximum amount of allowable public debt (the "debt ceiling") subject to limit by $4.0 trillion.

The tables in this report provide a section-by-section summary of the tax provisions in H.R. 1, as passed by the House, and provide links to relevant CRS reports.

- **Table 1** summarizes tax provisions in Subtitle A—Make American Workers and Families Thrive Again;

- **Table 2** summarizes tax provisions in Subtitle B—Make Rural America and Main Street Grow Again;
- **Table 3** summarizes tax provisions in Subtitle C—Make America Win Again; and
- **Table 4** summarizes the increase to the debt limit in Subtitle D—Increase in Debt Limit.

Certain provisions in Title XI are not tax provisions, and are not included in this report. Specifically, **Tables 1-4** in this report do not include a summary of Sections 110214, "Regulations"; 111201, "Expanding the Definition of Rural Emergency Hospital under the Medicare Program"; 112103, "Limiting Medicare Coverage to Certain Individuals"; and 112204, "Implementing Artificial Intelligence Tools for Purposes of Reducing and Recouping Improper Payments under Medicare."

Table 1. Subtitle A—Make American Workers and Families Thrive Again

Section Title	Description	CRS Resources
Part 1—Permanently Preventing Tax Hikes on American Families and Workers		
Extension of Modification of Rates *Section 110001 of the bill* *Section 1 of the IRC*	This provision would make permanent the individual income tax rates that the TCJA instituted through 2025. It would also raise the income thresholds at which all brackets other than the top 37% bracket begin by accounting for one additional year of inflation (that which occurred from 2016 to 2017) in the cost-of-living adjustment calculation. Under the TCJA, the marginal rates are 10%, 12%, 22%, 24%, 32%, 35%, and 37%. The TCJA did not change the tax rates on capital gains and dividends. This provision is an extension of TCJA with modifications. This provision would apply from 2026 onward.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.
Extension of Increased Standard Deduction and Temporary Enhancement *Section 110002 of the bill* *Section 63 of the IRC*	To calculate taxable income, taxpayers who do not itemize their deductions subtract the standard deduction from their adjusted gross income (AGI). The TCJA increased the standard deduction through 2025. Under current law, the standard deduction in 2025 is generally $15,000 for single filers, $22,500 for head of household filers, and $30,000 for married joint filers. This provision would make permanent the TCJA's increase to the standard deduction and raise it further by accounting for one additional year of inflation (that which occurred from 2016 to 2017) in the cost-of-living adjustment calculation from 2026 onward. This provision would also temporarily increase the standard deduction by $1,000 for single filers, $1,500 for head of household filers, and $2,000 for married joint filers for 2025 through 2028 (not indexed to inflation). This provision is an extension of TCJA with modifications. This provision would generally apply from 2025 onward.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.
Termination of Deduction for Personal Exemptions *Section 110003 of the bill* *Section 151 of the IRC*	Before TCJA, to calculate taxable income, taxpayers could subtract the appropriate number of personal exemptions for themselves, their spouse (if married), and their dependents from their adjusted gross income (AGI). TCJA temporarily suspended the deduction for personal exemptions for tax years 2018 through 2025. This provision would make permanent the TCJA's temporary suspension of personal exemptions through 2025. This provision is an extension of TCJA with no or minor modifications.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.

Section Title	Description	CRS Resources
	This provision would apply from 2026 onward.	
Extension of Increased Child Tax Credit and Temporary Enhancement *Section 110004 of the bill* *Sections 24 of the IRC*	The child tax credit lets taxpayers reduce their federal income tax liability by a maximum credit amount of $2,000 per child. Taxpayers with little or no federal income tax liability can potentially receive the refundable portion of the credit, with that portion being known as the additional child tax credit, or ACTC. The TCJA set the maximum child credit at $2,000 per child (it had previously been $1,000) and the maximum ACTC at $1,700 per child (2025 figure, adjusted for inflation). TCJA also temporarily required the child for whom a taxpayer claims the credit to have a work-eligible Social Security number (SSN); created a $500 nonrefundable credit (not adjusted for inflation) for dependents who are not qualifying children; and raised the income level at which the credit begins phasing out, among other changes. All of these changes apply through tax year 2025. This provision would make permanent the TJCA's changes to the credit, raise the maximum credit to $2,500 per child (adjusted for inflation) through 2028, index the maximum child credit to inflation from 2029 onward, and account for one additional year of inflation (that which occurred from 2016 to 2017) in the cost-of-living adjustment calculation for the maximum ACTC. Whereas the pre-TCJA credit began phasing out after $75,000 of income for single filers and $110,000 for married couples, the TCJA reforms—which would be made permanent in this bill—increased the income limits to $200,000 for single filers and $400,000 for married couples filing jointly. This provision would also require the taxpayer to provide a work-eligible SSN for themselves, their spouse (if married), and the child for whom they are claiming the credit. The credit would generally be disallowed to those married filing separately, with certain exceptions. Additionally, this provision would count certain dividend income of members of religious or apostolic associations as earned income for purposes of calculating the ACTC, which phases in with earned income above $2,500. This provision is an extension of TCJA with modifications. This provision would generally apply from 2025 onward.	CRS Report R41873, *The Child Tax Credit: How It Works and Who Receives It*, by Brendan McDermott. CRS In Focus IF12820, *Selected Issues in Tax Policy: The Child Tax Credit*, by Brendan McDermott. CRS Report R48312, *Noncitizen Eligibility for the Child Tax Credit: In Brief*, coordinated by Abigail F. Kolker.
Extension of Deduction for Qualified Business Income and Permanent Enhancement *Section 110005 of the bill* *Section 199A of the IRC*	Pass-through business income is taxed according to ordinary individual income tax rates. The TCJA created a tax deduction equal to 20% of qualified business income. The deduction is limited to the greater of 50% of W-2 wages, or 25% of W-2	CRS In Focus IF11122, *Section 199A Deduction for Pass-Through Business Income: An Overview*, by Gary Guenther. CRS In Focus IF12838, *Selected Issues in Tax Policy:*

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	wages plus 2.5% multiplied by depreciable property (equipment and structures). Specified service trades or businesses (SSTBs) generally may not claim the deduction except in specific circumstances. The deduction limitation and SSTB limitation do not apply if taxable income is less than $197,300 (single) or $394,600 (married) in 2025. These limitations are phased in over a $50,000 (single) and $100,000 (married) range, and thus apply fully if a taxpayer's income is at or above $247,300 (single) and $494,600 (married). This provision would increase the deduction to 23%, modify the deduction limitation phase-ins to reduce the deduction by $0.75 per dollar of taxable income over the lower limitation threshold, allow income from certain business development companies to qualify for the deduction, and change the inflation adjustment of the limitation amount to account for an additional year of inflation (2016 to 2017). This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2025.	*Section 199A Deduction for Pass-Through Business Income*, by Mark P. Keightley CRS Report R46402, *The Section 199A Deduction: How It Works and Illustrative Examples*, by Gary Guenther. CRS Report R46650, *Section 199A Deduction: Economic Effects and Policy Issues*, by Gary Guenther.
Extension of Increased Estate and Gift Tax Exemption Amounts and Permanent Enhancement *Section 110006 of the bill* *Sections 2010 of the IRC*	Estates and gifts are taxed at 40% in excess of a lifetime exemption. The lifetime estate and gift tax exemption of $10 million (indexed for inflation and currently $13.99 million) is scheduled to revert to $5 million in 2026 (indexed for inflation and currently projected at $7.14 million). This provision would increase the lifetime estate and gift exemption to $15 million per decedent who dies after 2025. The exemption amount is indexed for inflation. This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2025.	CRS In Focus IF12846, *Selected Issues in Tax Reform: The Estate and Gift Tax*, by Jane G. Gravelle CRS Report R48183, *The Estate and Gift Tax: An Overview*, by Jane G. Gravelle
Extension of Increased Alternative Minimum Tax Exemption and Phaseout Thresholds *Section 110007 of the bill* *Sections 55 of the IRC*	The alternative minimum tax is imposed at fixed rates (26% and 28%), on a broader base with a larger exemption, and is paid if it exceeds the regular tax. The exemption in 2025 is $137,000 for joint returns and $88,100 for single returns. The higher rate of 28% is imposed on AMT taxable income up to $239,000. These amounts are indexed for inflation. These provisions will revert to lower levels in 2026. Exemptions are projected at $109,800 for joint returns and $70,600 for single returns, and the 28% tax imposed at $209,200 for joint returns and $156,900 for single returns in that year. This provision would make the increased individual alternative minimum tax exemption amounts and higher phaseout thresholds permanent.	

Section Title	Description	CRS Resources
	This provision is an extension of TCJA with no or minor modifications. This provision would apply starting after December 31, 2025.	
Extension of Limitation on Deduction for Qualified Residence Interest *Section 110008 of the bill* *Section 163 of the IRC*	Taxpayers who itemize their deductions may deduct interest paid on the first $750,000 ($375,000 for married filing separately) of mortgage debt (combined for first and second homes). No deduction is allowed for interest payments made for new or existing home equity debt if such debt is used for purposes unrelated to the property securing the loan. The limitation applies to new loans incurred from December 15, 2017, through December 31, 2025. Taxpayers with mortgage debt incurred outside of that window and who itemize their deductions may deduct interest on the first $1 million ($500,000 for married filing separately) of combined mortgage debt. No deduction is allowed for interest payments made for new or existing home equity debt if such debt is used for purposes unrelated to the property securing the loan. This provision would make the lower mortgage debt thresholds for new loans incurred after December 15, 2017, permanent. This provision is an extension of TCJA with no or minor modifications. This provision would apply starting after December 31, 2025.	CRS In Focus IF12789, *Selected Issues in Tax Policy: The Mortgage Interest Deduction*, by Mark P. Keightley. CRS Report R46429, *An Economic Analysis of the Mortgage Interest Deduction*, by Mark P. Keightley. CRS Report R46685, *An Analysis of the Geographic Distribution of the Mortgage Interest Deduction: Before and After the 2017 Tax Revision (P.L. 115-97)*, by Mark P. Keightley.
Extension of Limitation on Casualty Loss Deduction *Section 110009 of the bill* *Section 165 of the IRC*	Taxpayers who itemize their deductions can generally claim a deduction for uncompensated personal casualty and theft losses, subject to limitations. This provision would make permanent the TCJA's limitation of this deduction to only losses associated with a disaster declared by the President under Section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, which applies through 2025 under current law. This provision is an extension of TCJA with no or minor modifications. This provision would apply from 2026 onward.	CRS In Focus IF12574, *The Nonbusiness Casualty and Theft Loss Deduction*, by Brendan McDermott.
Termination of Miscellaneous Itemized Deduction *Section 110010 of the bill* *Section 67 of the IRC*	The TCJA temporarily suspended the itemized deduction for miscellaneous expenses for tax years 2018 through 2025. Prior to enactment of the TCJA, individuals who itemized their deductions could deduct miscellaneous expenses to the extent that such expenses exceeded 2% of their adjusted gross incomes (AGIs). Expenses subject to the 2% floor generally related to the costs of accruing income or undertaking certain financial transactions. Such expenses included unreimbursed job expenses, home office expenses, investment management fees, tax preparation fees,	CRS Insight IN11119, *Unreimbursed Employee Job Expenses and the Suspension of the Miscellaneous Itemized Deduction*, by Gary Guenther. CRS Report R42872, *Tax Deductions for Individuals: A Summary*, by Sean Lowry.

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	convenience fees for debit and credit cards, dues paid to a professional society or labor union, and certain other expenses. This provision would make the suspension of miscellaneous itemized deductions permanent, effectively repealing these deductions. This provision is an extension of TCJA with no or minor modifications. This provision would apply to taxable years beginning after December 31, 2025.	
Limitation on Tax Benefit of Itemized Deductions *Section 110011 of the bill* *Section 68 of the IRC*	Individual taxpayers may claim *itemized deductions* in place of the standard deduction. Itemized deductions are specific "items" that taxpayers may choose to deduct from their taxable incomes. Itemized deductions are typically based on taxpayer expenses, so for normal income tax filings, only taxpayers with itemized expenses in excess of the standard deduction will benefit from itemizing their deductions. The TCJA repealed the *Pease limitation* on overall itemized deductions. Prior to the enactment of the TCJA, the Pease limitation reduced a taxpayer's total itemized deductions amounts by 3% of the difference between the taxpayer's adjusted gross income (AGI) and a threshold amount ($261,500 for single filers and $313,800 for married couples in 2017). The Pease limitation was not allowed to reduce a taxpayer's itemized deductions more than 80%, and it did not apply to the deductions for wagering losses, casualty and theft losses, out-of-pocket medical and dental expenses, or investment interest. This provision would modify the Pease limitation so that it would differ from both pre-TCJA law (full Pease limitation) and the TCJA (no Pease limitation). The provisions would treat deductions claimed under IRC section 164 differently from other itemized deductions. IRC section 164 describes deductions for certain tax payments, including deductions for SALT payments and generation-skipping transfer (GST) taxes. Under the provision, taxpayers with taxable incomes above the income cutoff for the top 37% marginal tax bracket would have their section 164 itemized deductions reduced by 5/37ths. For taxpayers with AGIs above the cutoff but *taxable incomes* below the cutoff, section 164 itemized deductions would be reduced by 5/37ths of the excess section 164 deductions above the top 37% marginal tax bracket income cutoff. Taxpayers with taxable incomes above the income cutoff for the top 37% marginal tax bracket would have their other itemized deductions reduced by 2/37ths. If a taxpayer has (1) an AGI above the cutoff, (2) a level of taxable income below the	CRS Insight IN12517, *Selected Issues in Tax Reform: Itemized Deductions*, by Nicholas E. Buffie. CRS In Focus IF11091, *2019 Tax Filing Season (2018 Tax Year): Itemized Deductions*, by Sean Lowry. CRS Report R43012, *Itemized Tax Deductions for Individuals: Data Analysis*, by Sean Lowry. CRS Report R42872, *Tax Deductions for Individuals: A Summary*, by Sean Lowry. CRS In Focus IF12893, *Selected Issues in Tax Reform: The Deduction for State and Local Taxes*, by Grant A. Driessen. CRS Report R46246, *The SALT Cap: Overview and Analysis*, by Grant A. Driessen. CRS Report R48183, *The Estate and Gift Tax: An Overview*, by Jane G. Gravelle.

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	cutoff, and (3) a combination of AGI and section 164 deductions above the income cutoff, then the taxpayer's other itemized deductions are reduced by 2/37ths. For taxpayers with (1) AGIs above the cutoff, (2) taxable incomes below the cutoff, and (3) a combination of AGI and section 164 deductions below the income cutoff, then the taxpayer's other itemized deductions would be reduced by 2/37ths of the excess other itemized deductions above the top 37% marginal tax bracket income cutoff. This provision is applied after the application of any other limitations on specific itemized deductions, such as limitations on the SALT deduction, the charitable contributions deduction, and the medical and dental expenses deduction. This provision is an extension of TCJA with modifications. This provision would apply to all tax years starting in tax year 2026.	
Termination of Qualified Bicycle Commuting Reimbursement Exclusion *Section 110012 of the bill* *Section 132 of the IRC*	Before the enactment of the TCJA, individuals could deduct up to $20 per month of qualified employer reimbursements for bicycle commuting expenses from their taxable wages (potentially lowering both their income taxes and their payroll taxes). The TCJA began counting such reimbursements as taxable wage income for the employee; however, the employers providing such reimbursement may count it as a deductible business expense and thereby decrease their tax payments. This provision would permanently extend the suspension of the qualified bicycle commuting reimbursement exclusion, effectively repealing it. This provision is an extension of TCJA with no or minor modifications. This provision would apply to taxable years beginning after December 31, 2025.	
Extension of Limitation on Exclusion and Deduction for Moving Expenses *Section 110013 of the bill* *Sections 132 and 217 of the IRC*	Prior to the enactment of the TCJA, all taxpayers—including taxpayers claiming the standard deduction and taxpayers itemizing their deductions—could deduct moving expenses from their taxable incomes if the purpose of the move was to relocate for work. The deduction was subject to certain restrictions based on the individual's employment status and the distance of the move, though these restrictions did not apply to members of the Armed Forces. The TCJA suspended this deduction for tax years 2018-2025 for all taxpayers except for members of the Armed Forces. This provision would permanently extend the suspension of the exclusion and deduction for moving expenses, effectively permanently limiting the deduction to members of the Armed Forces.	

Section Title	Description	CRS Resources
	This provision is an extension of TCJA with no or minor modifications. This provision would apply to taxable years beginning after December 31, 2025.	
Extension of Limitation on Wagering Losses *Section 110014 of the bill* *Section 165 of the IRC*	Under current law, taxpayers with gambling income may be able to deduct gambling losses from that income. Casual gamblers may only deduct losses from the gambling activity itself (such as losing bets) up to the amount of gambling income, and only if the taxpayer itemizes deductions. Professional gamblers may additionally claim other allowable business deductions (such as the cost of travel), but all deductions together (gambling losses and business deductions) are limited by the amount of gambling income. This provision would permanently extend the limitation on gambling losses for professional gamblers. This provision is an extension of TCJA with no or minor modifications. This provision would apply starting after December 31, 2025.	
Extension of Increased Limitation on Contributions to ABLE Accounts and Permanent Enhancement *Section 110015 of the bill* *Section 529A of the IRC*	ABLE accounts are tax-advantaged savings accounts for qualifying individuals with disabilities ("designated beneficiaries"). Generally, an ABLE account cannot receive aggregate contributions in a given year in excess of the annual gift tax exemption, which is $19,000 in 2025. The TCJA allowed designated beneficiaries who are employed to contribute to their ABLE account an additional amount above the annual gift-tax exclusion through 2025. This additional amount is the lesser of (1) the applicable federal poverty level for a one-person household in the prior year, or (2) the beneficiary's compensation for the year. A beneficiary cannot contribute this additional amount for the year if any contribution is made on their behalf to certain defined contribution plans. This provision would make permanent the TCJA's additional contribution amount. It would also increase the standard contribution limit, currently the gift tax exclusion, by calculating it as the level of the gift tax exclusion adjusted to account for one additional year of inflation (that occurred from 1996 to 1997). This provision is an extension of TCJA with modifications. This provision would apply from 2026 onward.	CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.
Extension of Savers Credit Allowed for ABLE Contributions *Section 110016 of the bill* *Section 25B of the IRC*	The Savers Credit is a nonrefundable credit of up to $1,000 for those who make qualifying contributions to specific savings vehicles such as qualifying retirement accounts. The TCJA let designated beneficiaries of ABLE accounts claim the saver's credit for qualifying contributions to their ABLE accounts through 2025. Lawmakers	CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello.

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	scheduled the saver's credit to expire from 2027 onward, when a new benefit, a "Saver's Match," would take effect (P.L. 117-328), for which contributions to ABLE accounts would not qualify under current law. This provision makes permanent the TCJA's allowance of the saver's credit to ABLE account beneficiaries. As such, from 2027 onward, only contributions to ABLE accounts by ABLE account designated beneficiaries would qualify for the saver's credit. This provision is an extension of TCJA with modifications. This provision would apply from 2026 onward.	CRS In Focus IF11159, *The Retirement Savings Contribution Credit and the Saver's Match*, by Brendan McDermott. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.
Extension of Rollovers from Qualified Tuition Programs to ABLE Accounts Permitted *Section 110017 of the bill* *Section 529 of the IRC*	This provision would make permanent the TCJA's allowance of tax-free rollovers from a qualified tuition plan (also known as a "529 plan") account to an ABLE account, subject to the standard ABLE account contribution limit, provided that the accounts have the same designated beneficiary (or the designated beneficiaries of the two accounts are members of the same family). Under current law, this provision is in effect through 2025. This provision is an extension of TCJA with no or minor modifications. This provision would apply from 2026 onward.	CRS In Focus IF10363, *Achieving a Better Life Experience (ABLE) Programs*, by William R. Morton and Kirsten J. Colello. CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.
Extension of Treatment of Certain Individuals Performing Services in the Sinai Peninsula and Enhancement to Include Additional Areas *Section 110018 of the bill* *Sections 2, 112, 692, 2201, 3401, 4253, 6013, and 7508 of the IRC*	Under current law, members of the Armed Forces serving in a combat zone (and their families) are entitled to several tax benefits, including certain exemptions from income, payroll, and estate taxes, and an extension of certain tax deadlines. Typically, an area must be designated as a combat zone by the President by executive order under Section 112 for these tax benefits to apply. TCJA created a temporary statutory presumption that military duty performed in the Sinai Peninsula is in a combat zone. This provision would extend this statutory presumption that military duty performed in the Sinai Peninsula is in a combat zone. It would also extend similar treatment to military duty performed in Kenya, Mali, Burkina Faso, and Chad. These extensions would be permanent, as long as any member of the Armed Forces is entitled to special pay for duty subject to hostile fire or imminent danger in that location. This provision is an extension of TCJA with modifications. This provision would apply starting on January 1, 2026.	

Section Title	**Description**	**CRS Resources**
Extension of Exclusion from Gross Income of Student Loans Discharged on Account of Death or Disability *Section 110019 of the bill* *Section 108 of the IRC*	Under current law, taxpayers can exclude all discharged student loans from income through 2025. This provision would permanently extend the TCJA's exclusion from gross income of student loans discharged due to the death or total disability of the student, but would not extend the general exclusion, which was added after the TCJA. It would also require that the student (and their spouse, if married filing jointly) have a work-eligible Social Security number to qualify. This provision is an extension of TCJA with modifications. This provision would apply from 2026 onward.	CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick and Brendan McDermott.
Part 2—Additional Tax Relief for American Families and Workers		
No Tax on Tips *Section 110101 of the bill* *New Section 224 of the IRC*	This provision would create a new income tax deduction for qualified tip income. Qualified tip income would be cash tips received through work in an occupation that traditionally and customarily receives tips. Such tips must be paid voluntarily, determined by the payor, and not subject to negotiation, among other rules. Tips earned by non-employee workers (such as independent contractors) could qualify to the extent they exceed the cost of goods sold and other expenses, losses, or deductions allocable to the service provided. Taxpayers could not claim the deduction if they receive earned income in excess of the highly compensated employee threshold ($160,000 in 2025) or if they work in a specified service trade or business for purposes of the qualified business income deduction. Tip income used to claim this deduction could not also be used to claim the qualified business income deduction. The deduction would only be available to taxpayers if they (and their spouses, if married filing jointly) have work-eligible SSNs, and would generally be disallowed to those married filing separately, with exceptions. The provision would only be available if tips are reported separately from other income on an information return. Taxpayers could claim this deduction in addition to the standard deduction. The deduction would effectively exempt qualified income from income tax. However, that tip income would still be subject to payroll taxes (such as for Social Security and Medicare hospital insurance). Under permanent law, food and beverage businesses at which tipping is customary can receive a credit (the "tip credit") against their income tax liability for payroll taxes paid on tips exceeding the amount needed to meet a wage of $5.15 per hour for each tipped employee. This provision would extend the tip credit to certain	CRS In Focus IF12728, *Taxation of Tip Income*, by Brendan McDermott.

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	beauty service businesses, and would calculate it in such industries based on the tips needed to meet the federal minimum wage during the month in which the tips were received. This provision would apply from 2025 through 2028.	
No Tax on Overtime *Section 110102 of the bill* *New Section 225 of the IRC*	This provision would create a new income tax deduction for qualified overtime compensation, meaning the additional 50% of the regular rate of pay that employers must pay for overtime under Section 7 of the Fair Labor Standards Act. Qualified overtime compensation would not include the regular rate of pay, any qualified tip income, or income received by highly compensated employees. The deduction would only be available to taxpayers if they (and their spouse, if married) have work-eligible SSNs and would generally be disallowed to those married filing separately, with exceptions. Claimants must have qualified overtime compensation accounted for separately on information returns. Taxpayers could claim this deduction in addition to the standard deduction. Qualified overtime compensation would still be subject to payroll taxes (such as for Social Security and Medicare hospital insurance). This provision would apply from 2025 through 2028.	CRS Report R42713, *The Fair Labor Standards Act (FLSA): An Overview*, by Sarah A. Donovan.
Enhanced Deduction for Seniors *Section 110103 of the bill* *Section 63 of the IRC*	Currently, taxpayers who are blind or aged 65 and older can receive an additional standard deduction. In 2025, this current additional deduction is $1,600 per qualifying individual for those married filing jointly for whom both spouses are blind or elderly, and $2,000 for qualifying taxpayers who are unmarried and not surviving spouses. This provision would increase the additional standard deduction for the blind and elderly by $4,000 per qualifying individual (not adjusted for inflation). This additional amount would decrease by 4% of the amount by which a taxpayer's modified adjusted gross income exceeds $75,000 ($150,000 for those married filing jointly). The increase to the additional deduction would only be available to taxpayers if they (and their spouses, if married filing jointly) have work-eligible SSNs. Unlike the current additional deduction, this additional deduction would also be available to taxpayers who itemize their deductions. This provision would apply from 2025 through 2028.	CRS Report RL34498, *Federal Individual Income Tax Brackets, Standard Deduction, and Personal Exemption: 1988 to 2025*, by Brendan McDermott. CRS Report R48313, *Overview of the Federal Tax System in 2024*, by Donald J. Marples and Brendan McDermott.
No Tax on Car Loan Interest *Section 110104 of the bill* *Section 163 of the IRC*	This provision would provide an above-the-line deduction for up to $10,000 of interest paid on indebtedness incurred after December 31, 2024, and used to purchase a car, minivan, van, SUV,	

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	pickup truck, motorcycle, ATV, or RV the final assembly of which occurs within the United States. The deduction would phase out at a rate of $200 for each $1,000 of modified adjusted gross income above $100,000 (or $200,000 if married filing jointly). This provision would be available for tax years 2025 through 2028.	
Enhancement of Employer-Provided Child Care Credit *Section 110105 of the bill* *Section 45F of the IRC*	Under current law, employers that offer child care services to employees can claim a tax credit of up to $150,000. The credit is worth 25% of qualified child care expenditures plus 10% of qualified child care resource and referral service expenditures. This provision would raise the maximum credit to $500,000 ($600,000 in the case of an eligible small business; both figures adjusted for inflation) and the credit rate for child care expenditures to 40% (50% in the case of an eligible small business). The provision would also make expenses to third-party intermediaries that contract with child care facilities qualified child care expenditures. Additionally, expenditures on child care facilities that are jointly owned by the taxpayer and others would newly qualify for the credit. This provision would apply from 2026 onward.	CRS In Focus IF12379, *The 45F Tax Credit for Employer-Provided Child Care*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle.
Extension and Enhancement of Paid Family and Medical Leave Credit *Section 110106 of the bill* *Section 45S of the IRC*	Under current law, employers can receive a tax credit for paid leave wages paid to certain employees. The credit is 12.5% of paid leave wages if the wages are 50% of the employee's usual wages, increasing up to 25% of paid leave wages for 100% wage replacement. Only paid leave wages paid to employees who worked for the employer for one year with wages at or below $93,000 in 2024 (the amount adjusts each year) qualify. The employer's policy must cover all eligible employees, including part-time workers who only work a few hours a week, and meet minimum benefits requirements. Benefits paid pursuant to a state or local government requirement are disregarded for both the credit amount and the minimum benefits requirement, which means employers in areas with paid leave requirement laws would be unlikely to qualify for the credit, even if they provide benefits above the legal minimum. This provision would permanently extend the credit while making several changes. It would allow employers to apply premiums paid on a paid leave insurance policy toward the credit, regardless of whether an employee claimed leave under that policy that year. It would allow benefits required by a state or local government to apply toward meeting the minimum benefits requirement, but not toward the amounts paid for calculating the credit. Leave wages paid to employees who only worked for their employer for six months could	CRS In Focus IF11141, *Employer Tax Credit for Paid Family and Medical Leave*, by Anthony A. Cilluffo CRS Report R44835, *Paid Family and Medical Leave in the United States*, by Sarah A. Donovan

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	qualify at the employer's choice. Part-time employees would be eligible employees required to be covered by the policy only if the employee customarily works at least 20 hours per week. This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2025.	
Enhancement of Adoption Credit *Section 110107 of the bill* *Section 23 of the IRC*	In 2025, taxpayers can receive a nonrefundable tax credit equal to their qualifying adoption expenses. In 2025, the maximum adoption tax credit is $17,280 per adoption (adjusted for inflation). This provision would make up to $5,000 (adjusted for inflation) of the credit refundable. This provision would apply from 2025 onward.	CRS Report R44745, *Adoption Tax Benefits: An Overview*, by Margot L. Crandall-Hollick.
Recognizing Indian Tribal Governments for Purposes of Determining Whether a Child Has Special Needs for Purposes of the Adoption Credit *Section 110108 of the bill* *Section 23 of the IRC*	Under current law, if a state welfare agency (but not an Indian tribal government agency) determines that a child meets the definition of having special needs, the adoptive parents qualify for the maximum adoption tax credit regardless of actual adoption expenses. This provision would let Indian tribal governments make special needs determinations for purposes of the adoption tax credit. This provision would apply from 2025 onward.	CRS Report R44745, *Adoption Tax Benefits: An Overview*, by Margot L. Crandall-Hollick.
Scholarship-Granting Organizations *Section 110109 of the bill* *New Sections 25F and 139J of the IRC*	This provision would create a nonrefundable income tax credit for charitable contributions made by a taxpayer to scholarship-granting organizations. Scholarship-granting organizations must be tax-exempt, may not be private foundations, and must devote substantially all of their activities to the provision of scholarships for elementary and secondary education expenses for eligible students, defined as individuals who are part of a household with an annual income less than 300% of the area median gross income and who are eligible to enroll in a public elementary or secondary school. Any contribution that receives a credit may not also be claimed as a charitable contribution through IRC Section 170. Credit amounts may not exceed $5,000 or 10% of a taxpayer's aggregate gross income. The credit may be claimed against regular and alternative minimum tax income. Credit amounts are allocated by the Secretary of Treasury, generally on a first-come, first-serve basis, and subject to an annual, nationwide volume cap. The volume cap is set to $5 billion in each year from 2026 through 2029 and $0 in each subsequent year. Ten percent of the annual volume cap would be divided evenly among the states, with individuals residing in a state eligible for that portion of the cap. The cap would be increased by 5% of the specified level in the year	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock

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	after a year where more than 90% of the cap was allocated. Scholarships provided by scholarship-granting organizations would be excluded from income by the taxpayer claiming the recipient as a dependent. Additionally, the provision also includes prohibitions on using this provision to control scholarship-granting organizations, the actions or participation of nonpublic (including faith-based) schools in the program, and a right for any parent of an eligible student to intervene in any state or federal court case challenging the constitutionality of this provision. The provision would apply starting after December 31, 2025, although the volume cap for allocation of the credit is $0 for years after 2029.	
Additional Elementary, Secondary, and Home School Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts *Section 110110 of the bill* *Section 529 of the IRC*	Current law allows families to save for education using tax-advantaged qualified tuition programs, as provided for in Section 529 of the IRC (also known as 529 plans). Up to $10,000 per beneficiary per year may be withdrawn and used for tuition at an elementary or secondary school. Withdrawals for expenses that do not qualify are subject to tax plus a 10% penalty tax. This provision would expand the list of eligible expenses to cover curricular materials, books or other instructional materials, online education materials, tutoring materials, home school expenses, fees for certain tests, and fees for dual enrollment in institutions of higher education. The provision is effective for distributions made after the date of enactment.	CRS Report R42807, *Tax-Preferred College Savings Plans: An Introduction to 529 Plans*, by Brendan McDermott.
Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts *Section 110111 of the bill* *Section 529 of the IRC*	Current law allows families to save for education using tax-advantaged qualified tuition programs, as provided for in Section 529 of the IRC (also known as 529 plans). Withdrawals for expenses that do not qualify are subject to a 10% penalty. This provision would expand the list of eligible expenses to include qualified postsecondary credentialing expenses, defined as tuition, fees, books, and other supplies required for enrollment or attendance in a program designed to provide certain qualified postsecondary employment credentials. The provision is effective for distributions made after the date of enactment.	CRS Report R42807, *Tax-Preferred College Savings Plans: An Introduction to 529 Plans*, by Brendan McDermott.
Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize *Section 110112 of the bill* *Section 170 of the IRC*	Under current law, taxpayers generally may only deduct charitable contributions if they itemize their deductions. Most taxpayers do not itemize deductions, so few taxpayers are able to deduct charitable contributions. A limited deduction for taxpayers who do not itemize was available in 2020 and 2021 only. This provision would create a limited deduction for charitable contributions for taxpayers who do	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.

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	not itemize deductions. Married filing jointly taxpayers may deduct up to $300, while all other taxpayers may deduct up to $150. This provision would apply for tax years 2025 through 2028.	
Exclusion for Certain Employer Payments of Student Loans Under Educational Assistance Programs Made Permanent and Adjusted for Inflation *Section 110113 of the bill* *Section 127 of the IRC*	Under current law, up to $5,250 in annual qualified educational assistance may be excluded from taxable income by both the employee and the employer. Qualifying assistance includes tuition, fees, books, supplies, equipment, and principal or interest on a qualified educational loan. Only student loan payments made before January 1, 2026, qualify as educational assistance. This provision would allow student loan payments made after December 31, 2025, to qualify as an eligible education assistance expense. The proposal would also inflation adjust the maximum exclusion amount for all qualified educational assistance for years beginning in 2027. The provision is effective for payments made after December 31, 2025.	CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick and Brendan McDermott
Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses *Section 110114 of the bill* *Section 165 of the IRC*	Under permanent law, the nonbusiness casualty and theft loss deduction is available only to those who itemize deductions; only to the extent each casualty exceeds $100; and only to the extent the deduction exceeds 10% of adjusted gross income (AGI). This provision would retroactively extend an expansion of the deduction implemented by P.L. 116-260. Under that expansion, taxpayers could take the casualty deduction in addition to the standard deduction, without the 10% of AGI limitation, and with the per-casualty limitation raised from $100 to $500. Losses could qualify if they resulted from a major disaster that began between December 28, 2019, and the date of enactment, and for which the President declared a major disaster between January 1, 2020, and 60 days after the date of enactment. P.L. 118-148 previously extended this expansion through December 12, 2024, meaning this provision would in practice apply to casualties from major disasters beginning since that date. This provision would apply from December 12, 2024, through the date of enactment.	CRS In Focus IF12574, *The Nonbusiness Casualty and Theft Loss Deduction*, by Brendan McDermott. CRS Report R45864, *Tax Policy and Disaster Recovery*, by Brendan McDermott and Jennifer Teefy.
Trump Accounts *Section 110115 of the bill* *New Section 530A and existing Sections 1, 4973, 6103 and 6693 of the IRC*	This provision would create a new type of tax-advantaged savings account for young people, called a Trump account. The account must be established before the beneficiary reaches eight years of age. Contributors may contribute up to $5,000 per year (this amount is adjusted annually for inflation) in cash (not assets such as stocks) until the beneficiary is age 18, starting in 2026. Distributions are not allowed before the beneficiary turns age 18, and no more than half of	CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.

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	the balance at age 18 may be distributed before age 25. The account must be invested in a diversified index fund of U.S. stocks and must minimize fees and expenses. Upon distribution for an eligible purpose, the portion of the distribution related to the contribution is exempt from tax, and the portion of the distribution related to earnings on investments is taxed at capital gains rates. Eligible uses include higher education expenses, certain credential expenses, certain small business expenses, and first-time homebuyer expenses. Any distributions for a non-eligible use are taxed at ordinary tax rates and may be subject to a 10% penalty. The account terminates when the beneficiary turns age 31, and the full amount is considered distributed and is taxed at ordinary tax rates, but is not subject to the 10% penalty. The individual establishing the account (likely a parent, grandparent, or guardian) and the beneficiary (the child) must both provide Social Security numbers. The government would be required to establish a program where a 501(c) tax-exempt organization may contribute to the accounts of a large number of unrelated children, such as all children in a certain community. This provision would apply after December 31, 2024.	
Trump Accounts Contribution Pilot Program *Section 110116 of the bill* *New Sections 6434 and 6659 and existing Section 6213 of the IRC*	This provision would create a new one-time tax credit of $1,000 for each qualifying child that would be contributed to the Trump account established by Section 110115 of the bill. If the child does not already have a Trump account, the government would choose an account trustee (a company that maintains the account) and open a Trump account on the child's behalf. To be eligible for the one-time tax credit, the child must be born from 2025 to 2028 and be a U.S. citizen at birth. Additionally, the taxpayer claiming the child, the taxpayer's spouse (if applicable), and the child all need to have a Social Security number. The provision would also establish penalties for improper claims for the credit. This provision would apply after December 31, 2024.	CRS Report R47492, *Tax-Advantaged Savings Accounts: Overview and Policy Considerations*, by Brendan McDermott.
Part 3—Investing in Health of American Families and Workers		
Treatment of Health Reimbursement Arrangements Integrated with Individual Market Coverage *Section 110201 of the bill* *Section 9815 of the IRC*	A health reimbursement arrangement (HRA) is a tax-advantaged arrangement that reimburses individuals for qualified health care costs. The payments are not subject to individual income and payroll taxes. Regulations issued in 2019 permitted individual coverage health reimbursement arrangements (ICHRAs), which can be used to purchase individual market health insurance	CRS Report R47041, *Health Reimbursement Arrangements (HRAs): Overview and Related History*, by Ryan J. Rosso. CRS Report R46782, *A Comparison of Tax-Advantaged Accounts for Health Care Expenses*, by Ryan J. Rosso.

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	policies without violating the rules regarding employer group health plans. This provision would establish custom health option and individual care expense (CHOICE) arrangements, which would be a type of arrangement that is inclusive of ICHRAs and has features similar to those established in ICHRA regulations. The provision would be effective for tax years beginning after December 31, 2025.	
Participants in CHOICE Arrangement Eligible for Purchase of Exchange Insurance Under Cafeteria Plan *Section 110202 of the bill* *Section 125 of the IRC*	Cafeteria plans are salary-reduction plans that allow employees to choose between cash compensation and a tax-favored benefit, including health coverage under a flexible spending arrangement. Under current law, most employees cannot choose to use cafeteria plans to purchase individual insurance on the exchanges because this benefit was limited to certain small employers providing for health insurance in the small group market. This provision would allow individuals enrolled in a CHOICE arrangement plan to also be eligible to use a cafeteria plan to purchase individual insurance through an exchange. The provision would be effective for tax years beginning after December 31, 2025.	CRS Report R46782, *A Comparison of Tax-Advantaged Accounts for Health Care Expenses*, by Ryan J. Rosso.
Employer Credit for CHOICE Arrangement *Section 110203 of the bill* *New Section 45BB and existing Sections 38 and 4980H of the IRC*	This provision would create a tax credit for employers of $100 per month per employee for the first year of enrollment in a CHOICE plan and half as much in the second year. The credit would be available for employers with fewer than 50 full time workers during the preceding calendar year and 50 or more during less than 120 days if the additional employees are seasonal workers. The credit would be part of the general business credit (GBC) and subject to its rules. Unused GBCs may be carried back one year or forward up to 20 years. Any credit not used by the end of the 20-year carry-forward period may be deducted in its entirety in the next tax year. Employers can take the credit against both the regular income and alternative minimum taxes. The provision would be effective for tax years beginning after December 31, 2025.	
Individuals Entitled to Part A of Medicare by Reason of Age Allowed to Contribute to Health Savings Accounts *Section 110204 of the bill* *Section 223 of the IRC*	A health savings account (HSA) is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. Individuals are eligible to establish and contribute to an HSA if they have coverage under an HSA-qualified high-deductible health plan (HDHP), do not have disqualifying coverage, and cannot be claimed as a dependent on another person's tax return. Individuals who are enrolled in Medicare are not allowed to establish or contribute to their HSA,	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi. CRS In Focus IF11425, *Health Savings Accounts (HSAs) and Medicare*, by Ryan J. Rosso.

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	regardless of whether they also are enrolled in an HSA-qualified HDHP. Account holders may make tax-free HSA withdrawals to pay qualified medical expenses for themselves, their spouse, or their dependents. Two HSA withdrawal rules apply differently to those aged 65 or older (irrespective of Medicare enrollment) than to most individuals under the age of 65. First, although health insurance premiums generally are not considered an HSA-qualified medical expense, this restriction does not apply to individuals aged 65 years and older; these individuals may treat any health insurance premiums as qualified medical expenses. Second, although withdrawals not used to pay for qualified medical expenses must be included in an individual's gross income and generally are subject to a 20% penalty, the penalty does not apply if made after an individual reaches the age of 65. This provision would allow HSA-qualified HDHP enrollees aged 65 and older to enroll in Medicare Part A and retain their ability to contribute to an HSA. While these individuals would be eligible to contribute to an HSA, they would no longer be able to use their HSA to pay for health insurance premiums and they would pay a 20% penalty for any amounts withdrawn for nonqualified medical expenses. This provision would apply to months beginning after December 31, 2025.	
Treatment of Direct Primary Care Service Arrangements *Section 110205 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. Individuals are eligible to establish and contribute to an HSA if they have coverage under an HSA-qualified HDHP, do not have disqualifying coverage, and cannot be claimed as a dependent on another person's tax return. Account holders may make tax-free HSA withdrawals to pay qualified medical expenses for themselves, their spouse, or their dependents. Health insurance premiums generally are not considered an HSA-qualified medical expense. Depending on the features of a direct primary care arrangement, it may be considered disqualifying coverage for purposes of HSA-eligibility, and may not be a qualified medical expense for HSA purposes. This provision would exclude direct primary care arrangements from being considered disqualifying coverage. *Direct primary care arrangement* would be defined as an arrangement where primary care practitioners solely provide primary care services and solely for a fixed periodic fee. Primary care services would specifically exclude procedures that require general anesthesia, prescription drugs (other than vaccines), and laboratory services not typically administered in an ambulatory primary	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi. CRS In Focus IF12818, *Health Savings Account (HSA) Qualified Medical Expenses*, by Ryan J. Rosso.

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	care setting. An individual's total monthly fees for all direct primary arrangements would not be able to exceed $150 (or $300 if any arrangement covers more than one person). The dollar limitations would be adjusted for inflation. This provision also would allow direct primary care arrangements to be considered a qualified medical expense. This provision would apply to months beginning after December 31, 2025. The inflation adjustment would apply to taxable years beginning in a calendar year after 2026.	
Allowance of Bronze and Catastrophic Plans in Connection with Health Savings Accounts *Section 110206 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. Individuals are eligible to establish and contribute to an HSA if they have coverage under an HSA-qualified HDHP, do not have disqualifying coverage, and cannot be claimed as a dependent on another person's tax return. To be HSA qualified, an HDHP must meet several tests: it must have a deductible above a certain minimum threshold, it must limit out-of-pocket expenditures for covered benefits to no more than a certain maximum threshold, and it can cover only preventive care services and certain insulin products before the deductible is met. In an individual exchange, eligible consumers can compare and purchase nongroup insurance for themselves and their families. Most health plans sold through the exchanges must provide coverage with one of four levels of actuarial value (AV), which corresponds to an estimated percentage of medical care costs that the plan will pay (relative to the enrollee) and a precious metal designation. The four AV levels are 90% for platinum, 80% for gold, 70% for silver, and 60% for bronze. Catastrophic plans do not meet AV requirements and are available only to limited populations. Metal level plans can be considered HSA-qualified only if the generally applicable HSA-qualified HDHP criteria are met. Catastrophic plans currently are not considered HSA-qualified HDHPs. This provision would allow any bronze or catastrophic plan available through an individual exchange to be considered an HSA-qualified HDHP regardless of whether it meets other HSA-qualified HDHP criteria. This provision would apply to months beginning after December 31, 2025.	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi. CRS Report R44065, *Health Insurance Exchanges and Qualified Health Plans: Overview and Policy Updates*, by Vanessa C. Forsberg.
On-Site Employee Clinics *Section 110207 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. Individuals are eligible to establish and contribute to an HSA if they have coverage under an HSA-qualified HDHP,	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi.

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	do not have disqualifying coverage, and cannot be claimed as a dependent on another person's tax return. An on-site employee clinic would be considered disqualifying coverage if it provides significant medical care beyond disregarded coverage (e.g., coverage [through insurance or otherwise] for accidents, disability, vision care, dental care) and preventive care. This provision would exclude from disqualifying coverage *qualified items and services* received at a healthcare facility located at a site that is owned or leased by the individual's (or their spouse's) employer or provided at a healthcare facility operated primarily for the benefit of the individual's (or their spouse's) employer. *Qualified items and services* would be defined as physical examinations, immunizations, drugs or biologicals (other than a prescribed drug), treatment for injuries occurring in the course of employment, certain preventive care for chronic conditions, drug testing, and hearing or vision screening and related services. This provision would apply to months in taxable years beginning after December 31, 2025.	
Certain Amounts Paid for Physical Activity, Fitness, and Exercise Treated as Amounts Paid for Medical Care *Section 110208 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses for themselves, their spouse, or their dependents. HSA qualified medical expenses include most items and services that would be considered medical care for the medical and dental expenses itemized deduction, as described in IRC Section 213(d), menstrual care products, and over-the-counter medications and drugs without a prescription. Personal expenses that are merely beneficial to the general health of the individual, such as gym memberships, generally would not be considered an HSA-eligible expense. This provision would expand the definition of HSA-qualified medical expenses to include up to $500 (or $1,000 for joint or head of household returns) in *qualified sports and fitness expenses*, with a monthly limit that is 1/12 of that amount. The dollar limitations would be annually adjusted for inflation. Q*ualified sports and fitness expenses* would be defined as amounts paid for the sole purpose of participating in a physical activity, including membership at a specified type of fitness facility and participation or instruction in physical exercise or physical activity. It would not include amounts paid for one-on-one personal training; remote or virtual instructions (unless the instruction is live); videos, books, or similar materials; one-day fitness facility memberships; or single sessions of physical activities or exercise. This provision would apply to taxable years beginning after December 31, 2025. The inflation	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi. CRS In Focus IF12818, *Health Savings Account (HSA) Qualified Medical Expenses*, by Ryan J. Rosso.

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	adjustment would apply to taxable years beginning in a calendar year after 2026.	
Allow Both Spouses to Make Catch-up Contributions to the Same Health Savings Account *Section 110209 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses for themselves, their spouse, or their dependents. Spouses are prevented from having joint HSA accounts. If both spouses are HSA-eligible and at least one spouse is covered by a family coverage HSA-eligible HDHP, then the collective maximum HSA contribution amount that the couple can make is to be split evenly between the spouses' HSAs, unless both agree on a different division. For those aged 55 or older, the maximum annual amount an individual can contribute to his or her HSA is increased by $1,000 (i.e., a catch-up contribution). If both spouses are aged 55 or older and eligible to make these catch-up contributions, each spouse must make such a contribution to his or her own account; one spouse cannot make catch-up contributions to his or her own HSA on behalf of the other spouse. This provision would allow HSA-eligible spouses to agree to a different division of catch-up contributions between the spouses' HSAs in situations where at least one spouse is covered by a family coverage HSA-eligible HDHP and both spouses are aged 55 or older. In other words, eligible spouses would no longer be required to make catch-up contributions into their own HSAs. This provision would apply to taxable years beginning after December 31, 2025.	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi.
FSA and HRA Terminations or Conversions to Fund HSAs *Section 110210 of the bill* *Sections 106, 223, and 6051 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. In 2025, the maximum annual contribution limit is $4,300 for self-only coverage and $8,550 for family coverage. These amounts are adjusted for inflation annually. In addition, account holders who are at least 55 years of age may contribute an additional catch-up contribution of $1,000 each year, which is not indexed for inflation. Health flexible spending arrangements (FSAs) are employer-established benefits that reimburse employees for certain medical expenses. Health reimbursement arrangements (HRAs) are employer-established accounts that can be used to pay or reimburse employees and/or former employees for qualified medical expenses, including (in some instances) health insurance premiums. Individuals cannot retain the ability to contribute to an HSA if they are enrolled in both an HSA-eligible HDHP and disqualifying coverage. Disqualifying coverage generally is considered any health plan that is not an HDHP and that provides	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi. CRS Report R46782, *A Comparison of Tax-Advantaged Accounts for Health Care Expenses*, by Ryan J. Rosso.

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	coverage for any benefit covered under the HDHP. Health FSAs and HRAs would generally fall within the definition of disqualifying coverage, unless offered in an HSA-compatible way. Individuals are not currently allowed to transfer (or roll over) amounts from an FSA or HRA to an HSA, which is referred to as a *qualified HSA distribution*. Previous rules temporarily allowed such health FSA or HRA rollovers, but qualified HSA distributions have not been allowed since January 1, 2012. This provision would allow the transfer of FSA or HRA balances to an HSA if (1) the individual is establishing coverage under an HSA-qualified HDHP, and (2) the FSA or HRA transitions to an HSA-compatible FSA or HRA after the qualified HSA distribution. As part of this requirement, the individual could not have been enrolled under an HSA-qualified HDHP during the four years prior to enrollment in the HSA-qualified HDHP. Qualified HSA distributions would reduce an individual's HSA annual contribution limit. Other previously used rules for qualified HSA distributions would continue to apply. The aggregate amount of FSA and HRA distributions to an HSA cannot exceed $3,300 for individuals with single coverage, or $6,600 for individuals with family coverage. These amounts would be indexed for inflation in future years. This provision would also require qualified HSA distributions to be reported on Form W-2. This provision would apply to distributions made after December 31, 2025.	
Special Rule for Certain Medical Expenses Incurred Before Establishment of Health Savings Account *Section 110211 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. HSA withdrawals are exempt from federal income taxes if used to cover qualified medical expenses for the account holder, the account holder's spouse, or the account holder's dependents. Withdrawals not used to pay for qualified medical expenses must be included in the account holder's gross income when determining federal income taxes and generally are subject to a 20% penalty. HSA withdrawals used to pay expenses incurred before the HSA was established would not be considered to be made for a qualified medical expense (even if the type of expense would otherwise have been allowable). This provision would allow eligible medical expenses incurred after the start of an HSA-qualified HDHP plan year to be considered a qualified medical expense for an HSA established within 60 days of the start of the plan year. In other words, withdrawals from an HSA established within 60 days of the start of an HSA-	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi.

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	qualified HDHP plan year could be made on a tax-advantaged basis for eligible medical expenses incurred after the start of the plan year and before the account was established. This provision would apply to coverage starting after December 31, 2025.	
Contributions Permitted if Spouse Has Health Flexible Spending Arrangement *Section 110212 of the bill* *Section 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. Health FSAs are employer-established benefits that reimburse employees for certain medical expenses. Individuals cannot retain the ability to contribute to an HSA if they are enrolled in both an HSA-eligible HDHP and any other *disqualifying coverage*. Disqualifying coverage generally is considered any health plan that is not an HDHP and that provides coverage for any benefit covered under the HDHP. Health FSAs generally would fall within the definition of disqualifying coverage. As such, an individual would not be considered HSA-eligible if he or she were enrolled in an HSA-eligible HDHP and had coverage under a health FSA (including under a spouse's health FSA offered by the spouse's employer). This provision would allow an otherwise HSA-eligible individual who is covered by a spouse's FSA to retain HSA eligibility (if total reimbursements from the FSA do not exceed the total eligible expenses of the non-HSA-eligible individual(s) covered by the FSA). This provision would apply to plan years starting after December 31, 2025.	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi. CRS Report R46782, *A Comparison of Tax-Advantaged Accounts for Health Care Expenses*, by Ryan J. Rosso.
Increase in Health Savings Account Contribution Limitation for Certain Individuals *Section 110213 of the bill* *Sections 106 and 223 of the IRC*	An HSA is a tax-advantaged account that individuals can use to save and pay for unreimbursed medical expenses. Individuals, employers, or both may contribute to HSAs, but the aggregate amount of contributions is subject to an annual limit. In 2025, the maximum annual contribution limit is $4,300 for self-only coverage and $8,550 for family coverage. These amounts are adjusted for inflation annually. In addition, account holders who are at least 55 years of age may contribute an additional catch-up contribution of $1,000 each year, which is not indexed for inflation. This provision would increase the maximum annual HSA contribution limit for contributions by $4,300 for self-only coverage and $8,550 for family coverage for individuals below certain income thresholds. In other words, this would double the 2025 maximum contribution limit (excluding catch-up contributions) for certain populations. For those who have self-only coverage or those who do not file returns as married filing jointly, the maximum increase would be available to those with modified adjusted gross income at or beneath	CRS Report R45277, *Health Savings Accounts (HSAs)*, by Ryan J. Rosso and Alice Y. Choi.

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	$75,000. For those who have family coverage and are filing married filing jointly returns, the maximum increase would be available to those with modified adjusted gross incomes at or beneath $150,000. Additional contribution amounts must be made by the individual and not the employer. The increased contribution limit would be phased out for those who have self-only coverage or those who are not filing married filing jointly returns, from $75,000 to $100,000, and for those who have family coverage and who are filing married filing jointly returns, from $150,000 to $200,000. The increased contribution amounts and modified adjusted gross income amounts would be indexed for inflation. This provision would apply the increased contribution limit to taxable years starting after December 31, 2025. The inflation adjustment would apply to taxable years starting after December 31, 2026.	

Source: CRS analysis of H.R. 1 as it passed the House on May 22, 2025. This text consisted of Rules Committee Print 119-3 as modified by the Manager's Amendment printed in H. Rept. 119-113. See House Committee on Rules, Rules Committee Print 119-3, https://rules.house.gov/sites/evo-subsites/rules.house.gov/files/documents/rcp_119-3_final.pdf and House Committee on Rules, *Providing for Consideration of the Bill (H.R. 1) to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14*, https://www.govinfo.gov/content/pkg/CRPT-119hrpt113/pdf/CRPT-119hrpt113.pdf.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act (TCJA). Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted.

Table 2. Subtitle B—Make Rural America and Main Street Grow Again

Section Title	Description	CRS Resources
Part I—Extension of Tax Cuts and Jobs Act Reforms for Rural America and Main Street		
Extension of Special Depreciation Allowance for Certain Property *Section 111001 of the bill* *Section 168(k) of the IRC*	Assets such as equipment and buildings are depreciated over time. Prior to the TCJA, bonus depreciation for equipment, purchased software, and structures with recovery periods no more than 20 years allowed an immediate deduction of 50% for assets placed in service in 2017, 40% in 2018, and 30% in 2019. Long-lived property was not eligible. The phasedown was delayed for certain property, including property with a long production period The TCJA allowed full and immediate expensing (100% bonus depreciation) through 2022; the bonus percentage is reduced by 20% per year for four years starting in 2023. The TCJA excluded regulated public utilities (but eliminated the interest limit for these assets) and added theatrical movies and television programs to eligible assets. The phasedown was delayed for property with a	CRS Report RL31852, *The Section 179 and Section 168(k) Expensing Allowances: Current Law, Economic Effects, and Selected Policy Issues*, by Gary Guenther. CRS Report R48153, *Marginal Effective Tax Rates on Investment and the Expiring 2017 Tax Cuts*, by Jane G. Gravelle and Mark P. Keightley.

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	long production period. This provision also applies to computer software. Expensing is not available to real estate and farming businesses that elect out of the limit on interest deductions. This provision would provide for 100% bonus depreciation for property acquired and placed in service after January 19, 2025, and before January 1, 2030 (January 1, 2031, for longer production period property and certain aircraft). This provision is an extension of TCJA with no or minor modifications. This provision would apply to property acquired and placed in service after January 19, 2025, and before January 1, 2030 (January 1, 2031, for longer production period property and certain aircraft).	
Deduction of Domestic Research and Experimental Expenditures *Section 111002 of the bill* *Sections 174 and 280C of the IRC*	Prior to the TCJA, research expenditures could be deducted immediately (expensed). Research expenditures are also eligible for a credit, and the amount expensed was reduced by this credit (called a basis adjustment). The TCJA required, effective in 2022, that costs be amortized and recovered in equal amounts over five years. It also altered the basis adjustment in a way that appeared to effectively eliminate it. The provision would restore the expensing and full basis adjustment rules that applied before 2022 for tax years beginning after December 31, 2024, and before January 1, 2030. This provision is an extension of TCJA with modifications. This provision would apply to tax years beginning after December 31, 2024, and before January 1, 2030.	CRS Report RL31181, *Federal Research Tax Credit: Current Law and Policy Issues*, by Gary Guenther. CRS In Focus IF12815, *How the "Tax Cuts and Jobs Act" (TCJA, P.L. 115-97) Changed Cost Recovery and the Tax Credit for Research*, by Jane G. Gravelle and Mark P. Keightley.
Modified Calculation of Adjusted Taxable Income for Purposes of Business Interest Deduction *Section 111003 of the bill* *Section 163 of the IRC*	Prior to the TCJA, the deduction for net interest was limited to 50% of adjusted taxable income for firms with a debt-equity ratio above 1.5. (Adjusted taxable income is income before taxes, interest deductions, and depreciation, amortization, or depletion deductions.) Interest above the limitation could be carried forward indefinitely. The TCJA limited deductible interest to 30% of adjusted taxable income for businesses with gross receipts greater than $25 million. The provision also had an exception for floor plan financing (often used by automotive dealers) for motor vehicles. Under prior law and the temporary provisions of the TCJA, this interest limit applies to earnings (income) before interest, taxes, depreciation, amortization, or depletion (referred to as EBITDA). After 2021, the TCJA changed the measure of income to earnings (income) before interest and taxes (referred to as EBIT). Because EBIT is after the deduction of depreciation, amortization, and depletion, it results in a smaller base and thus a smaller amount of eligible interest	CRS Report R48286, *Expiring Provisions of P.L. 115-97 (the Tax Cuts and Jobs Act): Economic Issues*, coordinated by Jane G. Gravelle. CRS Report R48153, *Marginal Effective Tax Rates on Investment and the Expiring 2017 Tax Cuts*, by Jane G. Gravelle and Mark P. Keightley. CRS Report RL32254, *Small Business Tax Benefits: Current Law*, by Gary Guenther.

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	deductions. The temporary broader base (EBITDA), which expired in 2021, allowed more interest deductions. The more generous rules for measuring the adjusted taxable income base are more beneficial to businesses with depreciable assets, although affected businesses might be able to avoid some of the change in the deduction rules by leasing assets from financial institutions, such as banks, that generally have interest income. This provision would temporarily reinstate EBITDA as the basis for the 30% limit on interest deducted as a share of income for 2025 through 2029 and expand the definition of "motor vehicle" for purposes of deducting interest on floor plan finance to include certain trailers and campers. This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2024.	
Extension of Deduction for Foreign-Derived Intangible Income and Global Intangible Low-taxed Income *Section 111004 of the bill* *Section 250 of the IRC*	Current law imposes a minimum tax on global intangible low-taxed income (GILTI) of controlled foreign corporations (CFCs), after allowing a deduction for 10% of tangible assets and 50% of the remainder. A deduction is also allowed for foreign-derived intangible income (FDII) for 10% of tangible assets and 37.5% of the remainder. These deduction amounts for the remainder are scheduled to fall to 37.5% for GILTI and 21.875% for FDII after 2025. With the current 21% tax rate, these deductions result in a rate of 10.5% (13.125% after 2025) for GILTI and 13.125% (16.4% after 2025) for FDII. The combined GILTI and FDII deductions are limited to taxable income, and any unused deduction cannot be carried back or forward. This provision would reduce the 50% deduction for GILTI to 49.2% and the 37.5% deduction for FDII to 36.5% and make these deductions permanent. These deductions would create permanent rates of 10.668% for GILTI and 13.335% for FDII. This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2025.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples, and CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G. Gravelle, Mark P. Keightley, and Donald J. Marples.
Extension of Base Erosion Minimum Tax Amount *Section 111005 of the bill* *Section 59A of the IRC*	Under current law, the base erosion and anti-abuse tax (BEAT) provides for an alternative calculation of tax by adding certain payments to related foreign parties (such as interest and royalties) and taxing this income at 10%. Payments for the cost of goods sold are not included. BEAT does not allow tax credits, including the foreign tax credit, except for a temporary allowance of the research credit along with 80% of the low-income housing credit and two energy credits.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples, and CRS Report R47003, *Corporate Income Taxation in a Global Economy*, by Jane G.

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	After 2025, the BEAT rate will rise to 12.5% and no credits will be allowed. The provision would increase the 10% rate to 10.1% and make this rate and current treatment of credits permanent. This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2025.	Gravelle, Mark P. Keightley, and Donald J. Marples.
Exception to Denial of Deduction for Business Meals *Section 111006 of the bill* *Section 274 of the IRC*	TCJA included a provision with delayed implementation that would deny a deduction for certain meals provided to employees for the convenience of the employer starting after December 31, 2025. Currently, this restriction has not yet been implemented. This provision would modify the denial of deduction to allow a deduction for expenses related to goods or services sold for adequate and full value, such as an employee paying the same rate charged to the general public. This provision would apply to amounts paid or incurred after December 31, 2025.	
Part 2—Additional Tax Relief for Rural America and Main Street		
Special Depreciation Allowance for Qualified Production Property *Section 111101 of the bill* *Section 168 of the IRC*	Under current law, the cost of nonresidential real property is depreciated over 39 years and the cost of residential real property is recovered over 27.5 years, both using the straight-line method. Certain qualified nonresidential improvement property is recovered over 15 years and eligible for bonus depreciation. When property is sold, a portion of the property that reflects depreciation deductions is recaptured, that is, added to income and taxed at ordinary rates rather than capital gains tax rates. For tangible assets (called Section 1245 property), such as equipment, all depreciation is recaptured. For real property (Section 1250 property), depreciation in excess of straight line is recaptured. Real property acquired after 1986 is subject to straight-line depreciation and, therefore, not subject to recapture except for bonus depreciation for improvement property. This provision would provide for an elective 100% bonus depreciation for nonresidential property used in manufacturing, production, or refining of tangible property where original use begins with the taxpayer. *Production* includes only agricultural and chemical production. *Qualified production property* does not include space not used for manufacturing, production, or refining, such as office space, parking lots, and sales floors. Depreciation is recaptured in full upon sale (Section 1245 rules apply). If within the first 10 years, the property is no longer used as	

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	production property, depreciation is recaptured at that time. This provision applies to property acquired after January 19, 2025, and before January 1, 2029, and applies to property placed in service after the date of enactment.	
Renewal and Enhancement of Opportunity Zones *Section 111102 of the bill* *Section[s] 1400Z-1 and 1400Z-2 of the IRC*	This provision would extend the Opportunity Zone (OZ) program and modify the definition of *low-income community* and the tax incentives. The modified definition of low-income community would be narrower than the current definition and be used for a second round of OZ designations that would go into effect at the beginning of 2027 (the existing designations would end at the end of 2026). The second-round OZ designations would be conducted in a manner similar to the original OZ designations, but would also be required to have one-third of designations be entirely rural areas—an area with a population of 50,000 or fewer inhabitants that is not adjacent to a city with a population of more than 50,000 inhabitants—and census tracts with median income greater than 125% of the area median income or adjacent to eligible low-income communities would not be eligible. Capital gains invested in qualified opportunity funds are eligible for deferral until the earlier of December 31, 2033, or when the OZ investment is sold. Capital gains held in a qualified opportunity fund for five years receive a 10% increase in basis (30% if held in a qualified rural opportunity fund for five years) and gains on the OZ investment are excluded from tax, if the investment is held at least 10 years. Other modifications to the OZ program include allowing taxpayers to invest up to $10,000 in after-tax income in qualified opportunity funds, reporting requirements for funds and businesses, and Treasury reporting on the use of this provision. This provision is an extension of TCJA with modifications. This provision would apply to second-round OZ designations beginning on January 1, 2027, and ending on December 31, 2033.	CRS Report R45152, *Tax Incentives for Opportunity Zones*, by Donald J. Marples
Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets *Section 111103 of the bill* *Section 179 of the IRC*	Under Section 179, taxpayers may expense (deduct the full amount of) investment in qualified long-life property (tangible personal property, software, and qualified improvement property) up to $1 million. The eligible amount is phased out after investment reaches $2.54 million. These amounts are indexed for inflation and are $1.25 million and $3.13 million in 2025. Because of the investment amount limitation, Section 179 is mostly used by smaller businesses.	CRS Report RL31852, *The Section 179 and Section 168(k) Expensing Allowances: Current Law, Economic Effects, and Selected Policy Issues*, by Gary Guenther.

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	The provision would permanently increase these amounts to $2.5 million and $4.0 million, with amounts indexed for inflation after 2025. This provision would apply to property placed into service after December 31, 2024.	
Repeal of Revision to De Minimis Rules for Third Party Network Transactions *Section 111104 of the bill* *Sections 3406 and 6050W of the IRC*	Under current law, third party settlement organizations (TPSOs) must report aggregate information about users' transactions on their platforms to the IRS. A variety of entities qualify as TPSOs, including online marketplaces (such as eBay and Etsy), payment services (such as PayPal and Venmo), and gig economy services (such as Uber and Airbnb). Section 6050W required information reporting for all taxpayers with aggregate transactions of more than $600 starting in 2022. However, the IRS has offered transition relief in 2022 and every year since, and plans to implement the $600 requirement starting in 2026. This provision would permanently change the information reporting threshold to its level before 2021, which includes two parts. First, the total transaction amount must exceed $20,000. Second, the user must have had at least 200 transactions. The TPSO does not need to send information to the IRS if the user does not meet both requirements. This change does not modify the tax requirements related to TPSO income. It would also exempt users with transactions below these limits from backup withholding requirements. The change to the de minimis threshold would apply as if included in the American Rescue Plan Act of 2021 (P.L. 117-2). The change to backup withholding requirements would apply in 2025 and later.	CRS In Focus IF12095, *Payment Settlement Entities and IRS Reporting Requirements*, by Anthony A. Cilluffo, and CRS In Focus IF11896, *Tax Treatment of Gig Economy Workers*, by Anthony A. Cilluffo.
Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees *Section 111105 of the bill* *Sections 3406, 6041, and 6041A of the IRC*	Under current law, businesses generally must file an information return (using a form from the Form 1099 series) with the IRS for business payments of $600 or more. Taxpayers who do not provide the payer with their tax identification number (usually either a Social Security number or IRS-issued employer identification number) may be subject to backup withholding. This provision would permanently increase the reportable payments threshold to $2,000, and provide for an annual inflation adjustment. This new threshold would apply to most general business payments and to nonemployee compensation for services. It would also apply the same minimum to the requirement for backup withholding. This provision would apply to payments made after December 31, 2025.	

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Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property *Section 111106 of the bill* *New Section 139K of the IRC*	This provision would allow for an exclusion of 25% of interest received by a lender on a loan secured by rural or agricultural real estate. This provision would likely only apply to commercial loans, because the real estate securing the loan must be (1) used for the production of one or more agricultural products; (2) used in the trade or business of fishing or seafood processing; or (3) an aquaculture facility. The property must be located within the United States, but not necessarily within a rural area if it is used for one of the qualifying business uses. Loans made to specified foreign entities are not eligible for the exclusion. This provision would apply to interest on loans originated after enactment and before January 1, 2029.	
Treatment of Certain Qualified Sound Recording Productions *Section 111107 of the bill* *Sections 168 and 181 of the IRC*	Under current law, production costs for sound recordings generally must be recovered (deducted from income) over multiple years. Under Section 167, taxpayers are allowed "a reasonable allowance" for exhaustion, wear and tear, and obsolescence. Calculating this allowance for sound recordings is complex, and likely requires making assumptions about the future income generation of the recording in order to use the income forecast allowance method. This provision would provide alternative cost recovery options for sound recordings. First, for sound recordings commencing in 2025, creators could immediately deduct up to $150,000 in U.S.-based production costs in the year incurred. It would also allow larger productions and productions starting after 2025 but before 2029 to receive faster cost recovery by applying U.S.-based production costs to bonus depreciation under Section 168(k). This provision would apply to productions starting in tax years ending after the date of enactment.	
Modifications to Low-Income Housing Credit *Section 111108 of the bill* *Section 42 of the IRC*	The low-income housing tax credit is a subsidy for the construction or rehabilitation of rental housing meeting statutorily determined rent and income limits. To receive the credit a taxpayer must receive an award of "competitive" or "9%" credits from the state in which the investment is made. Alternatively, a taxpayer may receive "noncompetitive" or "4%" credits if at least 50% of the investment is financed by tax-exempt bonds that are subject to limit on private activity bonds. This provision would increase state low-income housing credit allocation authority for calendar years 2026 through 2029 by 12.5%. This provision would also reduce the 50% tax-exempt bond financing requirement to 25% for bond obligations issued in calendar years through 2029. Last, this provision would modify the definition of difficult development areas (DDAs) for purposes of the	CRS Report RS22389, *An Introduction to the Low-Income Housing Tax Credit*, by Mark P. Keightley. CRS In Focus IF11335, *The Low-Income Housing Tax Credit: Policy Issues*, by Mark P. Keightley.

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	low-income housing tax credit to include "Indian areas" through 2029. This provision would apply to calendar years 2026 through 2029.	
Increased Gross Receipts Threshold for Small Manufacturing Business *Section 111109 of the bill* *Section 448 of the IRC*	This provision would allow manufacturers with average annual gross receipts (over the last three years) of less than $80 million to use the cash method of accounting. These manufacturers may also be exempt from the business interest limitation, certain capitalization rules, and certain inventory account rules. Under current law, the gross receipts threshold is $25 million for all taxpayers. This provision would apply starting after December 31, 2025.	CRS Report RL32254, *Small Business Tax Benefits: Current Law*, by Gary Guenther.
Global Intangible Low-Taxed Income Determined Without Regard to Certain Income Derived from Services Performed in the Virgin Islands *Section 111110 of the bill* *Sections 951A and 469 of the IRC*	U.S. shareholders of controlled foreign corporations (CFCs) are subject to a minimum tax on global intangible low-taxed income (GILTI), after allowing for certain deductions. Certain income is excluded. These rules treat income derived from U.S. possessions in the same way as income derived from foreign countries. This provision would exclude certain income earned from services provided in the Virgin Islands. The exclusion is available to U.S. shareholders who are individuals, trusts, estates, or closely held C corporations (where more than 50% of stock is owned by no more than five individuals). This provision would be effective for taxable years beginning after the date of enactment.	CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples
Extension and Modification of Clean Fuel Production Credit *Section 111111 of the bill* *Section 45Z of the IRC*	The clean fuel production credit (CFPC), as enacted under the Inflation Reduction Act of 2022 (IRA; P.L. 117-169), subsidizes the costs of producing transportation fuels with low lifecycle greenhouse gas emissions. Fuels qualifying for the credit must be deemed suitable for use as a fuel in a highway vehicle or aircraft and must be sold to "unrelated persons" as defined in IRC Section 52(b). In Notice of Proposed Rulemaking (NPRM) 2025-10, the IRS states that "actual use as a fuel in a highway vehicle or aircraft is not required"; the NPRM clarifies that certain fuels ordinarily used to power ships may qualify for the CFPC if they meet the criterion of being "suitable for use" in highway vehicles or aircraft. Two other criteria define eligibility for the CFPC. First, production facilities used to claim the credit must be located in the United States or its possessions (i.e., Puerto Rico, Guam, and other territories). Second, to be considered *clean*, fuel produced at such facilities must have a lifecycle emissions rate of no more than 50 kilograms of CO_2 or CO_2 equivalent per 1 million British Thermal Units (mmBTU). Lifecycle emissions are meant to measure the total impact of a fuel on	CRS In Focus IF12502, *The Section 45Z Clean Fuel Production Credit*, by Nicholas E. Buffie.

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	greenhouse gas emissions (not just the emissions when the fuel is burned), including emissions associated with producing the fuel and with producing feedstocks (i.e., raw materials, including from plants or animal waste) used to make the fuel. For greenhouse gases other than CO_2, the term *CO_2 equivalent* refers to the quantity of CO_2 that would produce the same amount of global warming as the given non-CO_2 greenhouse gas. For fuel production meeting the criteria described above, the credit operates on a sliding scale in which fuels with lifecycle greenhouse gas emissions rated closer to zero receive larger credits. Credit amounts also differ according to taxpayers' compliance with prevailing wage and apprenticeship (PWA) requirements and whether the fuel is aviation fuel or nonaviation fuel. For aviation fuel producers, the CFPC has a maximum value of $1.75 per gallon for firms meeting PWA requirements and $0.35 for firms not meeting PWA requirements. For nonaviation fuel producers, the CFPC has a maximum value of $1.00 per gallon for firms meeting PWA requirements and $0.20 for firms not meeting PWA requirements. Under current law, the CFPC may be claimed for fuel produced after December 31, 2024, and sold on or before December 31, 2027. The CFPC, in effect, consolidated and replaced several credits for specific fuels that expired at the end of 2024, including credits for biodiesel, biodiesel mixtures, agri-biodiesel, renewable diesel, second-generation biofuel, mid-level ethanol blends, sustainable aviation fuel, alternative fuels, and alternative fuels mixtures. This provision would modify the CFPC in various ways. First, it would require feedstocks used in eligible fuels sold after 2025 to be sourced from a feedstock that is produced or grown in the United States, Mexico, or Canada. Second, the provision would modify the emissions rates tables used to determine lifecycle greenhouse gas emissions in two ways: (1) it would prohibit the effects of indirect land use changes from being counted in lifecycle emissions estimates (which could affect emissions calculations for agriculture-based fuels such as corn ethanol); and (2) it would require the Secretary of the Treasury (who is tasked with publishing new emissions rate tables every year under current law) to publish distinct emissions rates for fuels using dairy manure, swine manure, poultry manure, and such other sources as are determined appropriate. These changes to the emissions rate tables would apply to taxable years beginning after December 31, 2025.	

Section Title	Description	CRS Resources
	Third, this provision would add foreign entity restrictions based on the definitions of *specific foreign entity* and *foreign-influenced entity* in Section 112008 of the bill. (Section 112008 modifies the clean electricity production tax credit.) For taxable years beginning after the date of the bill's enactment, *specific foreign entities*—including foreign entities of concern, as defined in subparagraphs (A), (B), (D), or (E) of Section 9901(8) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021—cannot receive the CFPC. For taxable years beginning at least two years after the date of the bill's enactment, *foreign-influenced entities* are barred from receiving the tax credit. Additionally, this provision would extend eligibility for the credit to all otherwise-eligible fuels sold on or before December 31, 2031. This represents a four-year extension of the credit relative to current law. This provision would generally apply to fuel sold between 2026 and 2031.	
Restoration of Taxable REIT Subsidiary Asset Test *Section 111112 of the bill* *Section 856 of the IRC*	A real estate investment company (REIT) is a corporation that would otherwise be taxed as a corporation, except that it meets certain tests and faces a number of restrictions, including assets and income that are primarily derived from real estate. Distributions to shareholders are deductible and are taxed as ordinary income, making the tax treatment equivalent to other pass-throughs, such as partnerships. REITs are allowed to have taxable subsidiaries to carry out nonpassive functions, such as services to tenants. No more than 20% of the assets of a REIT may be held in taxable REIT subsidiaries. The share was reduced from 25% to 20% in 2016. This provision increases the allowable share of assets in taxable subsidiaries to 25%. This provision would apply starting after December 31, 2025.	CRS Report R44421, *Real Estate Investment Trusts (REITs) and the Foreign Investment in Real Property Tax Act (FIRPTA): Overview and Recent Tax Revisions*, by Jane G. Gravelle.

Source: CRS analysis of H.R. 1 as it passed the House on May 22, 2025. This text consisted of Rules Committee Print 119-3 as modified by the Manager's Amendment printed in H. Rept. 119-113. See House Committee on Rules, Rules Committee Print 119-3, https://rules.house.gov/sites/evo-subsites/rules.house.gov/files/documents/rcp_119-3_final.pdf and House Committee on Rules, *Providing for Consideration of the Bill (H.R. 1) to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14*, https://www.govinfo.gov/content/pkg/CRPT-119hrpt113/pdf/CRPT-119hrpt113.pdf.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act (TCJA). Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted.

Table 3. Subtitle C—Make America Win Again

Section Title	Description	CRS Resources
Part I—Working Families Over Elites		
Termination of Previously Owned Clean Vehicle Credit *Section 112001 of the bill* *Section 25E of the IRC*	The credit for previously owned clean vehicles, commonly referred to as the *used clean vehicle credit* or *UCVC*, was enacted as part of the Inflation Reduction Act of 2022 (IRA; P.L. 117-169). The UCVC provides a tax credit of up to $4,000 for purchases of used electric vehicles, used plug-in hybrid vehicles, or used fuel cell vehicles. Qualifying used vehicles must be sold for $25,000 or less and are subject to additional restrictions. Qualifying taxpayers must have modified adjusted gross income (MAGI) at or below certain thresholds for either the current year or the previous year. The thresholds are $150,000 for married couples, $112,500 for heads of household, and $75,000 for single filers and others. Under current law, the credit applies to vehicles acquired on or before December 31, 2032. Since the beginning of 2024, taxpayers have been allowed to transfer their credits to vehicle dealers. Transferred credits may exceed taxpayers' income tax liabilities, effectively making transferred tax credits fully refundable. This provision would require that qualifying used vehicles be acquired no later than December 31, 2025, in effect repealing the credit starting in 2026. This provision would apply to vehicles acquired after December 31, 2025.	CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. CRS In Focus IF12570, *Clean Vehicle Tax Credit Transfers to Car Dealers*, by Nicholas E. Buffie.
Termination of Clean Vehicle Credit *Section 112002 of the bill* *Section 30D of the IRC*	The clean vehicle credit (CVC) in Section 30D of the IRC was enacted under the Energy Policy Act of 2005 (EPACT05; P.L. 109-58) and most recently modified by the IRA. Individuals purchasing a *new clean vehicle*—including new electric vehicles, plug-in hybrids, and fuel cell vehicles—may claim a CVC of up to $7,500 for vehicles acquired before the end of 2032. The maximum potential credit ($7,500) is the sum of two amounts: the critical mineral amount ($3,750) and the battery component amount ($3,750), both of which went into effect for vehicles acquired on or after April 18, 2023. (Fuel cell vehicles without batteries that meet other requirements are eligible for the full $7,500 credit.) To claim the critical mineral portion of the credit, a car's battery must have (at least) a certain percentage of its critical minerals that were extracted or processed in the United States or in a country with which the United States has a free trade agreement, or that were recycled in North America. The minimum percentage is 60% in 2025 and will rise to 80% for 2027 and later years. To claim the battery component portion of	CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. CRS Insight IN12322, *Foreign Entity of Concern Requirements in the Section 30D Clean Vehicle Credit*, by Nicholas E. Buffie. CRS In Focus IF12570, *Clean Vehicle Tax Credit Transfers to Car Dealers*, by Nicholas E. Buffie. CRS In Focus IF12603, *The Tax Credit Exception for Leased Electric Vehicles*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	the credit, (at least) a certain percentage of an electric vehicle battery's component parts must be manufactured or assembled in North America. The minimum percentage is 60% in 2025 and rises to 100% for 2029 and later years. In addition, none of the applicable critical minerals or battery components in a qualifying vehicle's battery may come from a *foreign entity of concern* (FEOC). FEOCs are broadly defined but include companies with jurisdiction in China, North Korea, Russia, or Iran as well as companies with 25% or higher ownership (measured based on board seats, voting rights, or equity interests) from certain current or former senior foreign political figures in those four countries. In addition to the critical minerals and battery component requirements, qualifying clean vehicles must meet other criteria. These additional criteria include a manufacturer's suggested retail price (MSRP) limit ($80,000 for vans, SUVs, and pickup trucks; $55,000 for other vehicles); a required gross vehicle weight rating (GVWR) of less than 14,000 pounds; and a battery capacity of at least 7 kilowatt hours. Additionally, all qualified vehicles must undergo final assembly in North America. To claim the CVC, taxpayers' MAGI for either the current or previous year must be at or below certain thresholds: $300,000 for married couples, $225,000 for heads of household, and $150,000 for single filers. Since the beginning of 2024, taxpayers have been allowed to transfer their credits to vehicle dealers. Transferred credits may exceed taxpayers' income tax liabilities, effectively making transferred credits fully refundable. This provision would eliminate the CVC for all vehicles acquired after December 31, 2026. In addition, special rules would apply to vehicles acquired in 2026. These special rules stipulate that only manufacturers which manufactured 200,000 or fewer *covered vehicles* sold for use in the United States between December 31, 2009, and December 31, 2025, would maintain eligibility for the tax credit. A similar rule was in place prior to the enactment of the IRA in August 2022. The provision would define *covered vehicle* in one of two ways. First, covered vehicles would include all *new qualified plug-in electric drive motor vehicles*—as defined in IRC Section 30D(d)(1) as in effect on December 31, 2022—that were acquired before 2023. Second, covered vehicles would include all *new clean vehicles* as currently defined in IRC Section 30D(d)(1). If the sum of a manufacturer's *new qualified plug-in electric drive motor vehicles* and *new clean vehicles* exceeds	

Section Title	Description	CRS Resources
	200,000, then the manufacturer will be deemed to have crossed the *covered vehicle* threshold, and its vehicles will not be eligible for the CVC in 2026. Taxpayers treated as a single employer under IRC Sections 52(a), 52(b), 414(m), or 414(o) would be treated as a single manufacturer, subject to restrictions described in IRC Section 30B(f)(4). This provision would apply to vehicles placed in service after December 31, 2025.	
Termination of Qualified Commercial Clean Vehicles Credit *Section 112003 of the bill* *Section 45W of the IRC*	The credit for qualified commercial clean vehicles, sometimes referred to as the 45W credit based on its section of the IRC, allows businesses purchasing new electric vehicles, new plug-in hybrid vehicles, or new fuel cell vehicles to reduce their federal income tax liabilities. Tax-exempt organizations may claim a cash payment of equivalent value to the 45W credit under the IRA's direct payments mechanism. The 45W credit was enacted as part of the IRA in August 2022. The credit has a maximum value of $7,500 for vehicles with a GVWR of less than 14,000 pounds and a maximum of $40,000 for heavier vehicles. For plug-in hybrid vehicles, the credit equals the lesser of the incremental cost of the vehicle (the difference between its price and the price of a gas- or diesel-powered vehicle of similar size and use) or 15% of the vehicle's cost basis. For electric vehicles and fuel cell vehicles, the credit equals the lesser of the incremental cost of the vehicle or 30% of its cost basis. Among other restrictions, qualifying vehicles must have a battery capacity of at least 7 kilowatt hours if the GVWR is less than 14,000 pounds or 15 kilowatt hours otherwise, and must be either mobile machinery as defined in IRC Section 4053(8) or a motor vehicle for use on public roads for purposes of Title II of the Clean Air Act. Mobile machinery is defined to include vehicles such as electric tractors while excluding vehicles such as electric golf carts. The 45W credit is nonrefundable, meaning that businesses may not claim tax credits in excess of their income tax liabilities (again with the exception of tax-exempt organizations claiming a direct cash payment). Any unused credits may be carried back one year or carried forward up to 20 years to offset other years' tax liabilities. Businesses may claim the commercial clean vehicle credit for vehicles leased to customers. In some cases, dealers have reportedly claimed credits for leased passenger vehicles, then used these credits to lower customers' down payments by $7,500. This tax credit exception or leased vehicles loophole allows customers to save up to $7,500 even if the vehicle does not	CRS In Focus IF12600, *Clean Vehicle Tax Credits*, by Donald J. Marples and Nicholas E. Buffie. CRS In Focus IF12603, *The Tax Credit Exception for Leased Electric Vehicles*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	match the MSRP restrictions or domestic content rules from the CVC. (The Section 45W credit does not contain any domestic content or domestic manufacturing requirements.) Taxpayers who are above the CVC income limits can also benefit from the loophole/exception. Under current law, the 45W credit only applies to vehicles acquired before the end of 2032. This provision would eliminate the 45W credit for most vehicles acquired after December 31, 2025. Between 2026 and 2032, vehicles would only be eligible for the credit if they were purchased in a written binding contract entered into before May 12, 2025. This provision would apply to vehicles acquired after December 31, 2025.	
Termination of Alternative Fuel Vehicle Refueling Property Credit *Section 112004 of the bill* *Section 30C of the IRC*	The alternative fuel vehicle refueling property credit (AFVRPC) is a nonrefundable income tax credit that may be claimed by individuals or businesses installing alternative fuel vehicle refueling property at the taxpayer's principal residence or place of business. Clean fuel refueling property is generally any tangible equipment (such as a pump) used to dispense a fuel into a vehicle's tank. Qualifying property includes fuel storage and dispensing units and electric vehicle recharging equipment. A clean fuel is defined as any fuel at least 85% of the volume of which consists of ethanol (E85) or methanol (M85), natural gas, compressed natural gas (CNG), liquefied natural gas, liquefied petroleum gas, and hydrogen, or any mixture of biodiesel and diesel fuel, determined without regard to any use of kerosene and containing at least 20% biodiesel. For the purposes of the credit, electricity is also considered a clean fuel. Costs for vehicle charging equipment—including bidirectional charging equipment and charging stations for electric motorcycles intended for use on public roads—are eligible for the credit. For businesses meeting the prevailing wage and apprenticeship (PWA) requirements set forth in the IRA, the credit is equal to 30% of the cost of purchasing and installing qualified alternative fuel vehicle refueling property at a taxpayer's business, up to a limit of $100,000 per property item. For businesses not meeting PWA requirements, the AFVRPC is equal to 6% of purchase and installation costs, also up to a limit of $100,000 per property item. For property installed on a personal residence, the credit is equal to 30% of the purchase and installation costs up to a maximum value of $1,000. Due to modifications enacted under the IRA, since 2023, only qualifying property installed in a	CRS Report R47675, *Federal Policies to Expand Electric Vehicle Charging Infrastructure*, by Melissa N. Diaz and Corrie E. Clark. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R48351, *EV Charging Infrastructure: Frequently Asked Questions*, by Melissa N. Diaz.

Section Title	Description	CRS Resources
	nonurban or a low-income census tract has been eligible for the credit. The IRA also modified the AFVRPC in other ways and extended eligibility for the credit through the end of 2032. This provision would terminate the AFVRPC for property placed in service after December 31, 2025, effectively repealing the credit starting in calendar year 2026. This provision would apply to property placed in service after December 31, 2025.	
Termination of Energy Efficient Home Improvement Credit *Section 112005 of the bill* *Section 25C of the IRC*	The energy efficient home improvement credit (EEHIC) was first enacted by EPACT05 and was most recently modified by the IRA. Under current law, between tax years 2023 and 2032, taxpayers may receive an EEHIC for making energy-efficiency upgrades to their homes. Purchases of energy-efficient appliances installed at homes that are rented, owned and used as secondary residences, or owned and used as principal residences are eligible for the EEHIC. Upgrades to the insulation, exterior doors, and exterior windows or skylights of homes owned and used as principal residences are also EEHIC-eligible. In addition, home energy audits of taxpayers' principal residences (whether owned or rented) are eligible for the credit. The EEHIC is equal to 30% of the costs of purchasing and installing eligible energy-efficiency equipment. The credit is generally limited to $1,200 per taxpayer and $600 per item, with certain exceptions described in statute. Taxpayers may claim an additional amount of up to $2,000 for installations of electric or natural gas heat pumps, electric or natural gas heat pump water heaters, biomass stoves, and biomass boilers. This $2,000 amount is in addition to the normal $1,200 maximum, allowing taxpayers to receive as much as $3,200 per year from the EEHIC. The EEHIC is nonrefundable, meaning that if the value of the credit exceeds a taxpayer's income tax liability, they may not receive a refund for the difference. This limits the value of the EEHIC for households with low tax liabilities, including most low-income households. Preliminary data from 2023, the first full year with the IRA-modified tax credit in place, indicate that taxpayers in the bottom 27% of the income distribution received 0.8% of EEHIC benefits and that taxpayers in the top 24% of the income distribution received 62% of EEHIC benefits. This provision would make property placed in service after December 31, 2025, ineligible for the credit, in effect repealing the EEHIC starting in 2026.	CRS Insight IN12422, *Preliminary Data on the IRA Energy Efficient Home Improvement Credit*, by Nicholas E. Buffie. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Insight IN12051, *Residential Energy Tax Credits: Changes in 2023*, by Brendan McDermott.

Section Title	Description	CRS Resources
	This provision would apply to property placed in service after December 31, 2025.	
Termination of Residential Clean Energy Credit *Section 112006 of the bill* *Section 25D of the IRC*	The residential clean energy credit (RCEC) was first enacted by the Energy Policy Act of 2005 (P.L. 109-58) and was most recently reinstated and expanded by the IRA. Under current law, the RCEC subsidizes taxpayer purchases of renewable energy equipment used at taxpayer residences. Between 2022 and 2032, individuals and couples installing solar electric panels, solar water heaters, small wind energy property, geothermal heat pumps, and other renewable energy equipment can receive an RCEC equivalent to 30% of the costs of purchasing, assembling, and installing such equipment. The credit phases down to 26% for equipment placed in service in 2033 and to 22% for equipment placed in service in 2034 before expiring for equipment placed in service after 2034. Both renters and homeowners may claim the credit for domestically located homes in which they reside; landlords who rent property to others are not eligible. The RCEC is nonrefundable, meaning that if a taxpayer's RCEC is greater than their income tax liability, the taxpayer may not receive a refund for the difference. However, unused credit amounts may be carried forward to offset income tax liabilities in future years. Preliminary data from 2023, the first full year with the IRA-modified tax credit in place, indicate that taxpayers in the bottom 27% of the income distribution received 0.3% of RCEC benefits and that taxpayers in the top 24% of the income distribution received 67% of RCEC benefits. This provision would make property placed in service after December 31, 2025, ineligible for the credit, in effect repealing the RCEC starting in 2026. This provision would apply to property placed in service after December 31, 2025.	CRS Insight IN12423, *Preliminary Data on the IRA Residential Clean Energy Credit*, by Nicholas E. Buffie. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Insight IN12051, *Residential Energy Tax Credits: Changes in 2023*, by Brendan McDermott.
Termination of New Energy Efficient Home Credit *Section 112007 of the bill* *Section 45L of the IRC*	The new energy efficient home tax credit provides a tax credit to builders of ENERGY STAR certified single-family homes, manufactured homes, and multifamily homes and is scheduled to expire after December 31, 2032. The provision would have the tax credit expire on December 31, 2025, while allowing homes that began construction before May 12, 2025, to claim the tax credit if the housing unit is completed by December 31, 2026. This provision would generally apply to any home acquired after December 31, 2025, but will apply after December 31, 2026, for homes that started construction before May 12, 2025.	

Section Title	**Description**	**CRS Resources**
Restrictions on Clean Electricity Production Credit *Section 112008 of the bill* *Sections 45Y of the IRC*	Qualifying facilities that produce zero-emissions electricity and sell it to an unrelated person or persons (e.g., other businesses) may receive the clean electricity production tax credit (CEPTC) during the first 10 years of the facility's operations. The CEPTC, as enacted under the IRA, is equal to 2.5 cents in 2021 dollars per kilowatt-hour of electricity production (with lower amounts for facility owners not meeting the IRA's PWA requirements). Credit amounts are reduced in proportion to the share of capital financing coming from tax-exempt bonds, up to a maximum reduction of 15%. Taxpayers receiving the CEPTC are eligible for a 10% bonus credit (2% for taxpayers not meeting PWA requirements) if certain shares of the iron, steel, and manufactured products used to construct the facility were produced in the United States. Taxpayers are eligible for a separate 10% bonus credit (2% for taxpayers not meeting PWA requirements) if the facility used to claim the credit is located in an *energy community.* Bonus credit amounts are calculated after considering any reduction for financing from tax-exempt bonds. Under the IRA's direct payments and transferability mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the CEPTC, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. Facilities beginning construction in 2026 or later years are ineligible for direct payments if they do not meet the requirements of the domestic content bonus credit. Facilities beginning construction in 2024 or 2025 receive reduced direct payment amounts if they do not meet those domestic content requirements. New eligibility for the full credit amount is maintained through an "applicable year," which is the later of either 2032 or the year in which greenhouse gas emissions from the domestic electricity sector are less than or equal to 25% of the sector's emissions from 2022. Credit eligibility is then subject to a phaseout. As part of the phaseout, facilities that begin construction during the calendar year after the applicable year may receive 100% of the full credit amount; facilities that begin construction two calendar years later may receive 75% of the full amount; and facilities that begin construction three calendar years later may receive 50% of the full amount. No taxpayers may become newly eligible for the credits thereafter. However, because credit eligibility is based on the year a facility begins construction, whereas receipt of the credits is based on when a facility is placed in	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS Report R48358, *Domestic Content Requirements for Electricity Tax Credits in the Inflation Reduction Act (IRA)*, by Nicholas E. Buffie. CRS Report R47831, *Federal Economic Assistance for Coal Communities*, by Julie M. Lawhorn et al. CRS Report RL31457, *Private Activity Bonds: An Introduction*, by Grant A. Driessen. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	service, taxpayers may receive the credit after the final year of new eligibility. For example, if the *applicable year* is 2037, a taxpayer begins construction on a new facility in 2037 and begins providing electricity to consumers in 2040, then the taxpayer could receive the credit for 10 years from 2040 to 2049. This provision would eliminate the CEPTC for all facilities which begin construction more than 60 days after enactment or which are placed in service after December 31, 2028. Exceptions exist for certain nuclear facilities. The credit would continue to be allowed for *advanced nuclear facilities*, as defined in IRC section 45J(d)(2)), that begin construction on or before December 31, 2028, but not thereafter. Any nuclear facility for which the reactor design is approved by the Nuclear Regulatory Commission would not be allowed a credit for any facility expansions beginning after December 31, 2028. In addition, this provision eliminates CEPTC eligibility for the renting or leasing of solar water heating property, solar electric property (i.e., solar panels), and small wind energy property to homeowners and renters whose use of the property would qualify for the residential clean energy credit if the homeowner or renter owned the given property. (Section 112006 of H.R. 1 repeals the residential clean energy credit. Under current law, homeowners and renters only receive the credit for property they own.) The provision would also introduce various restrictions to foreign involvement in qualifying taxpayers' supply chains. The provision would (1) if the facility receives material assistance from a *prohibited foreign entity*, disallow the tax credit for facilities that start construction after December 31, 2025; (2) if the taxpayer is a *specified foreign entity*, disallow the tax credit for tax years beginning after the date of enactment; (3) disallow the tax credit for tax years beginning two years after the date of enactment if the taxpayer is a *foreign-influenced entity*; (4) disallow the tax credit for tax years beginning two years after the date of enactment if the taxpayer pays dividends, interest, compensation for services, rentals or royalties, or guarantees, or otherwise makes FDAP (fixed, determinable, annual, or periodic) payments to a prohibited foreign entity, or is produced subject to a licensing agreement greater than threshold amounts. This provision would have several effective dates.	
Restrictions on Clean Electricity Investment Credit *Section 112009 of the bill* *Section 48E of the IRC*	The clean electricity investment tax credit (CEITC), as enacted by the IRA, may be claimed by facilities producing electricity from any zero-emissions energy source. For taxpayers complying with the IRA's PWA requirements, the	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples.

Section Title	Description	CRS Resources
	CEITC is equal to 30% of taxpayers' capital investment costs (defined in statute as "basis"; 6% for firms not meeting PWA requirements), and qualifying facilities must be placed in service after December 31, 2024. Energy storage technology is also eligible for the credit. Credit amounts are reduced in proportion to the share of capital financing coming from tax-exempt bonds, up to a maximum reduction of 15%. Taxpayers receiving the CEITC are eligible for a 10 percentage-point bonus credit (2 percentage points for taxpayers not meeting PWA requirements) if certain shares of the iron, steel, and manufactured products used to construct the facility were produced in the United States. Taxpayers are eligible for a separate 10 percentage-point bonus credit (2 percentage points for taxpayers not meeting PWA requirements) if the facility used to claim the credit is located in an *energy community*. Bonus credit amounts are calculated without considering any reduction for financing from tax-exempt bonds. Solar and wind facilities (and energy storage technology installed with such facilities) with a maximum net output of less than 5 megawatts, as measured in alternating current, may qualify for a *low-income communities bonus credit*. The bonus is 10 percentage points for facilities located in a low-income community or on Indian land, and is 20 percentage points for facilities that are part of a qualified low-income residential building project or a qualified low-income economic benefit project. No more than 1.8 gigawatts of electric capacity may be claimed under this bonus credit program each year, though unused electric capacity from one year may be carried over to future years, including pre-2025 amounts carried over from the Energy Investment Tax Credit in Section 48 of the IRC. The low-income communities bonus credit does not depend on compliance with PWA requirements. Under the IRA's *direct payments* and *transferability* mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the CEITC, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. Facilities beginning construction in 2026 or later years are ineligible for direct payments if they do not meet the domestic content requirements of the domestic content bonus credit. Facilities beginning construction in 2024 or 2025 receive reduced credit amounts if they do not meet those domestic content requirements. Under current law, taxpayers are eligible for the credit through an "applicable year," which is the	CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS Report R48358, *Domestic Content Requirements for Electricity Tax Credits in the Inflation Reduction Act (IRA)*, by Nicholas E. Buffie. CRS Report R47831, *Federal Economic Assistance for Coal Communities*, by Julie M. Lawhorn et al. CRS Report RL31457, *Private Activity Bonds: An Introduction*, by Grant A. Driessen. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	later of either 2032 or the year in which greenhouse gas emissions from the domestic electricity sector are less than or equal to 25% of the sector's emissions from 2022. Credit eligibility is then subject to a phaseout. As part of the phaseout, facilities that begin construction during the calendar year after the applicable year may receive 100% of the full credit amount; facilities that begin construction two calendar years later may receive 75% of the full amount; and facilities that begin construction three calendar years later may receive 50% of the full amount. No taxpayers may become newly eligible for the credits thereafter. However, because credit eligibility is based on the year a facility begins construction, whereas receipt of the credits is based on when a facility is placed in service, taxpayers may receive the credit after the final year of eligibility. For example, if the final year of eligibility is 2037 and a facility begins construction that year, and the facility is placed in service in 2040, the facility owner will claim the CEITC in 2040. In this example, facilities that begin construction after 2037 would not be eligible for the CEITC, regardless of when they are placed in service. This provision would make four amendments to the CEITC. First, it would eliminate the CEITC for all facilities which begin construction more than 60 days after enactment or which are placed in service after December 31, 2028. The credit would only continue to be allowed for *advanced nuclear facilities*, as defined in IRC section 45J(d)(2)), that begin construction on or before December 31, 2028, but not thereafter. Second, the provision would allow 1.8 gigawatts of electric capacity to be claimed under the low-income communities bonus credit each year through CY2028, but not thereafter. In addition, any unused electric capacity from previous years that was still available as of December 31, 2028, could not be rolled over to future years. Third, this provision would eliminate CEITC eligibility for the renting or leasing of solar water heating property, solar electric property (i.e., solar panels), and small wind energy property to homeowners and renters whose use of the property would qualify for the residential clean energy credit if the homeowner or renter owned the given property. (Section 112006 of H.R. 1 repeals the residential clean energy credit. Under current law, homeowners and renters only receive the credit for property they own.) Fourth, the provision would place four restrictions on interactions with foreign entities.	

Section Title	Description	CRS Resources
	The provision would (1) disallow the tax credit for tax years beginning after the date of enactment if the taxpayer is a *specified foreign entity* as defined in IRC Section 7701(a)(51)(B), (2) disallow the tax credit for facilities that start construction after December 31, 2025, if the facility receives material assistance from a *prohibited foreign entity* as defined in IRC Section 7701(a)(52), (3) disallow the tax credit for tax years beginning two years after the date of enactment if the taxpayer is a *foreign-influenced entity* as defined in IRC Section 7701(a)(51)(D)), and (4) disallow the tax credit for tax years beginning two years after the date of enactment if the taxpayer pays dividends, interest, compensation for services, rentals or royalties, or guarantees, or otherwise makes FDAP payments to a prohibited foreign entity, or is produced subject to a licensing agreement greater than threshold amounts. This provision would have several effective dates.	
Repeal of Transferability of Clean Fuel Production Credit *Section 112010 of the bill* *Section 45Z and 6418 of the IRC*	Section 45Z of the IRC provides a tax credit for the production of clean fuels. Under current law, the tax credit applies to fuel sold on or before December 31, 2027. Section 111112 of this bill would modify the credit in various ways and extend it to fuel sold on or before December 31, 2031. See the entry "Extension and Modification of Clean Fuel Production Credit" for more information on both the tax credit as it exists under current law and the tax credit as modified under this bill. As part of a tax mechanism known as *transferability* that was enacted under the IRA, a taxpaying business may sell its clean energy tax credits to another taxpaying business at an agreed-upon price in exchange for cash. This mechanism can help firms with tax credits in excess of their tax liabilities. Prior to the enactment of the IRA, firms receiving clean energy tax credits generally entered into tax equity partnerships with larger businesses (generally banks or other financial institutions) and offered those businesses a share of the tax credit in exchange for upfront financing of the clean energy project. Research indicated that on average, clean energy producers lost roughly 15% of the tax credit's value in such partnership arrangements. Since the creation of the transferability mechanism, new research has found that transferred tax credits generally sold at 89 to 95 cents on the dollar in 2023 and at slightly higher values in early 2024, indicating that clean energy producers are foregoing fewer tax benefits due to the monetization of their tax credits.	CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie. CRS In Focus IF12502, *The Section 45Z Clean Fuel Production Credit*, by Nicholas E. Buffie. CRS Report R45693, *Tax Equity Financing: An Introduction and Policy Considerations*, by Mark P. Keightley, Donald J. Marples, and Molly F. Sherlock.

Section Title	**Description**	**CRS Resources**
	This provision would repeal transferability of the clean fuel production credit for fuel produced after December 31, 2027. This provision would apply to fuel produced after December 31, 2027.	
Restrictions on Carbon Oxide Sequestration Credit *Section 112011 of the bill* *Sections 45Q and 6418 of the IRC*	Taxpayers may claim the carbon oxide sequestration credit per metric ton of qualified carbon oxide captured and disposed of or used by a taxpayer. For taxpayers complying with the IRA's PWA requirements, the credit amounts are $85 per metric ton of carbon oxide that is captured and geologically sequestered, $60 per metric ton that is reused, $180 per metric ton that is captured using direct air capture (DAC) technologies and then geologically sequestered, and $130 per metric ton for carbon oxide captured using DAC that is utilized in a qualified manner. These amounts are scheduled to remain in place through the end of 2026 and will be adjusted annually for inflation starting in 2027. Taxpayers not meeting the PWA requirements receive tax credits that are only one-fifth as large, and credit amounts are reduced in proportion to the share of capital financing coming from tax-exempt bonds, up to a maximum reduction of 15%. Under the IRA's *direct payments* and *transferability* mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the credit, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. The provision would (1) if the taxpayer is a *specified foreign entity* under IRC Section 7701(a)(51)(B), disallow the tax credit for tax years beginning after the date of enactment; (2) if the taxpayer is *a foreign-influenced entity* under IRC Section 7701(a)(51)(D), disallow the tax credit for tax years beginning more than two years after the date of the bill's enactment; and (3) repeal transferability for equipment beginning construction more than two years after the date of the bill's enactment. This provision would have several effective dates.	CRS In Focus IF11455, *The Section 45Q Tax Credit for Carbon Sequestration*, by Angela C. Jones and Donald J. Marples. CRS Report R44902, *Carbon Capture and Sequestration (CCS) in the United States*, by Angela C. Jones and Ashley J. Lawson. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.
Restrictions on Zero-Emission Nuclear Power Production Credit *Section 112012 of the bill* *Sections 45U of the IRC*	The zero-emission nuclear power production credit is available for the production of electricity from nuclear facilities placed in service before August 16, 2022, that did not previously receive a Section 45J tax credit. Depending on the price of electricity, in addition to other factors, the tax credit may reach a value of up to 1.5 cents (in 2024 dollars) per kilowatt-hour of electricity produced and sold after December 31, 2023. The credit is fully phased out when gross receipts are at or above 4.375 cents per kilowatt-hour in 2024 dollars.	CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation*

Section Title	Description	CRS Resources
	The value of the tax credit is partially contingent on the IRA's prevailing wage requirements, though the credit is exempt from the apprenticeship requirements. Under the IRA's *direct payments* and *transferability* mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the credit, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. Under current law, the credit does not apply to taxable years beginning after December 31, 2032. The provision would (1) if the taxpayer is a *specified foreign entity* under IRC Section 7701(a)(51)(B), disallow the tax credit for tax years beginning after the date of enactment; (2) if the taxpayer is a *foreign-influenced entity* under IRC Section 7701(a)(51)(D), disallow the tax credit for tax years beginning more than two years after the date of the bill's enactment; and (3) move the credit's expiration date forward one year (from December 31, 2032 to December 31, 2031). This provision would have several effective dates.	*Reduction Act of 2022*, by Nicholas E. Buffie.
Termination of Clean Hydrogen Production Credit *Section 112013 of the bill* *Sections 45V and 48 of the IRC*	The clean hydrogen production credit (CHPC), as enacted under the IRA, is available for the first 10 years that a facility produces clean hydrogen. Taxpayers producing clean hydrogen at qualifying facilities may receive the CHPC based on the amount of hydrogen produced, the lifecycle CO_2e emissions rate of the hydrogen through the point of production, and the taxpayer's compliance with PWA requirements. Qualified facilities must be owned by the taxpayer and have begun construction prior to 2033, with some exceptions for facilities modified to produce clean hydrogen. For taxpayers meeting PWA requirements, the maximum credit in 2024 was $3.11 per kilogram of qualified clean hydrogen with zero CO_2e emissions. Tax credit amounts phase down in a nonlinear, stepwise fashion for higher CO_2e emissions rates. Tax-exempt entities including nonprofits, local governments, and rural electric cooperatives may receive direct cash payments in place of traditional income tax credits. Taxable entities may also elect to receive direct cash payments for five years, starting with the year a qualified facility is placed in service. Taxable entities cannot make this election after 2032. The CHPC is also transferable, meaning that credits may be sold from one taxpaying business to another for cash. This provision would terminate the CHPC and the ability to claim the Energy Investment Tax	CRS Report R48196, *Hydrogen Production: Overview and Issues for Congress*, by Lexie Ryan. CRS In Focus IF12602, *The Clean Hydrogen Production Credit: How the Incentives are Structured*, by Nicholas E. Buffie and Martin C. Offutt. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

Section Title	Description	CRS Resources
	Credit for hydrogen facilities that begin construction after December 31, 2025.	
Phaseout and Restrictions on Advanced Manufacturing Production Credit *Section 112014 of the bill* *Sections 45X and 6418 of the IRC*	The advanced manufacturing production credit, as enacted by the IRA, subsidizes the domestic production of certain inverters, solar energy components, wind energy components, battery components, and critical minerals. Credit amounts differ according to the type of good being produced. Annual tax credits are calculated based on the year a product is sold, which may differ from the year it is produced. Businesses may receive full credits for goods sold from 2023 through 2029, then may receive 75% of normal credit amounts for goods sold in 2030, 50% for goods sold in 2031, and 25% for goods sold in 2032. The credit expires for most credit-eligible products in 2033. Neither the phaseout nor the expiration apply to credits for critical minerals. Goods qualifying for the credit must be produced in the United States. However, there are no prohibitions on foreign ownership of the organizations receiving the credits. Tax-exempt entities including nonprofits, local governments, and rural electric cooperatives may receive direct cash payments in place of traditional income tax credits. Taxable entities may also elect to receive direct cash payments for five years, starting with the year a qualified facility is placed in service. Taxable entities cannot make this election after 2032. The advanced manufacturing production credit is also transferable, meaning that credits may be sold from one taxpaying business to another for cash. The provision would impose various restrictions on the tax credit. Certain subprovisions restricting interactions with foreign entities would (1) disallow the tax credit if the taxpayer received material assistance from a *prohibited foreign entity* for components manufactured in tax years beginning at least two years after the date of the bill's enactment; (2) if the taxpayer is a *specified foreign entity*, disallow the tax credit for all tax years beginning after the date of enactment; (3) disallow the tax credit for tax years beginning two years after the date of enactment if the taxpayer is a *foreign-influenced entity*; and (4) disallow the tax credit for tax years beginning two years after the date of enactment if the taxpayer pays dividends, interest, compensation for services, rentals or royalties, or guarantees, or otherwise makes FDAP payments in excess of certain thresholds to one or more prohibited foreign entity or entities, or is produced subject to a licensing agreement of more than $1 million with a prohibited foreign entity.	CRS In Focus IF12809, *The Section 45X Advanced Manufacturing Production Credit*, by Nicholas E. Buffie. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie.

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	The provision phases out the advanced manufacturing production credit between 2028 and 2032. Credits for components or goods sold in 2028 or later years would not be eligible for transferability. Wind components sold in 2028 or later years would not be eligible for the credit. Lastly, all other components or goods—including critical minerals—sold in 2032 or later years would not be eligible for the credit. This provision would have several effective dates.	
Phaseout of Credit for Certain Energy Property *Section 112015 of the bill* *Sections 48 and 6418 of the IRC*	This provision would amend certain parts of the energy investment tax credit, which is alternatively known as the energy credit, investment tax credit, or simply the ITC. The ITC provides a tax credit for investments in electricity facilities powered by renewable energy in addition to various energy storage technologies. The ITC subsidizes different energy sources and technologies at different rates. In general, the credit is equal to 30% of investment costs for taxpayers complying with PWA requirements, with additional bonus credits "topping up" the baseline credit. For most technologies and energy sources, tax credits may only be claimed for facilities beginning construction before 2025. Under current law, certain geothermal facilities—referred to in IRC Section 48(a)(7) as "certain energy property" and described in IRC Section 48(a)(3)(A)(vii) as "equipment which uses the ground or ground water as a thermal energy source to heat a structure or as a thermal energy sink to cool a structure"—receive extended eligibility for the ITC. Geothermal facilities are eligible for the ITC if they begin construction before 2035. Geothermal facilities are eligible for a 30% credit (6% if they do not meet PWA requirements) if they begin construction before 2033, 26% (5.2% if they do not meet PWA requirements) if they begin construction in 2033, and 22% (4.4% if they do not meet PWA requirements) if they begin construction in 2034. Under the IRA's *direct payments* and *transferability* mechanisms, certain tax-exempt organizations may receive a cash payment of equivalent value to the ITC, while taxpaying businesses may sell their tax credits to other taxpaying businesses for cash. Facilities beginning construction in 2024 have their direct payment amounts reduced 10% if they do not meet the requirements for the domestic content bonus credit. This provision would change the eligibility timeline for geothermal facilities. Geothermal facilities would be eligible for the ITC if they begin construction before 2032. The reduced	CRS Report R48428, *Inflation Reduction Act (IRA) Wage and Apprenticeship Requirements: Effect on Tax Credit Values*, by Nicholas E. Buffie. CRS In Focus IF12596, *Tax Credit Transfers and Direct Payments in the Inflation Reduction Act of 2022*, by Nicholas E. Buffie. CRS Report R48358, *Domestic Content Requirements for Electricity Tax Credits in the Inflation Reduction Act (IRA)*, by Nicholas E. Buffie. CRS Report R47405, *Oil and Gas Technology and Geothermal Energy Development*, by Morgan Smith.

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	26% and 22% rates that exist under current law (with lower rates for taxpayers not meeting PWA requirements) would apply to facilities beginning construction in 2030 and 2031, respectively. In addition, this provision would (1) if the taxpayer is a *specified foreign entity*, disallow the tax credit for tax years beginning after the date of enactment; (2) if the taxpayer is a *foreign-influenced entity*, disallow the tax credit for tax years beginning two years after the date of enactment; and (3) repeal transferability for property that begins construction more than two years after the date of the bill's enactment (a provision that would only apply to transferred ITCs for geothermal facilities, given that other types of energy property would not be eligible for the tax credit). This provision would have several effective dates.	
Income from Hydrogen Storage, Carbon Capture Added to Qualifying Income of Certain Publicly Traded Partnerships Treated as Corporations *Section 112016 of the bill* *Section 7704 of the IRC*	A publicly traded partnership (PTP) is a business structure that is taxed as a partnership but whose ownership interests are traded on financial markets. Being treated as a partnership for tax purposes implies that PTP income is generally subject to only one layer of taxation. PTPs are required to derive 90% of their income from primary sources, which includes dividends, interest, rents, capital gains, and mining and natural resources income. Over time, the definition of eligible income has expanded to include the transportation of certain renewable or alternative fuels. This provision would expand the definition of eligible income to the transportation or storage of sustainable aviation fuel, liquified hydrogen, or compressed hydrogen, and the generation of electricity or capture of carbon dioxide at a direct air capture or carbon capture facility. This provision would apply to tax years starting after December 31, 2025.	CRS Report R44902, *Carbon Capture and Sequestration (CCS) in the United States*, by Angela C. Jones and Ashley J. Lawson. CRS Report R48196, *Hydrogen Production: Overview and Issues for Congress*, by Lexie Ryan. CRS Report R46865, *Energy Tax Provisions: Overview and Budgetary Cost*, by Nicholas E. Buffie and Donald J. Marples. CRS In Focus IF11528, *Oil and Gas Tax Preferences*, by Molly F. Sherlock. CRS Report R41893, *Master Limited Partnerships: A Policy Option for the Renewable Energy Industry*, by Molly F. Sherlock and Mark P. Keightley.
Limitation on Amortization of Certain Sports Franchises *Section 112017 of the bill* *Section 197 of the IRC*	Under current law, the adjusted basis of certain intangibles listed in Section 197 of the IRC and held in connection with a trade of business—including goodwill, patents and copyrights, licenses granted by governmental units, and franchises, trademarks, or trade names—may be amortized (deducted from income) on a straight-line basis over 15 years. This provision would exclude 50% of the adjusted basis of the value of Section 197 assets for any intangible asset that is a sports franchise or is acquired by a sports franchise engaged in professional football, basketball, baseball, hockey, soccer, or other professional sport. This would	CRS Report R47519, *An Overview of the Corporate Income Tax System*, by Mark P. Keightley and Donald J. Marples.

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	reduce the deductions allowed for these intangible assets owned by sports franchises. This provision would apply to property acquired after the date of enactment.	
Limitation on Individual Deductions for Certain State and Local Taxes, Etc. *Section 112018 of the bill* *Existing Sections 164 and 275 and New Section 6659 of the IRC*	Individual taxpayers who itemize their deductions may claim a deduction for state and local taxes paid (SALT deduction). Eligible tax payments include certain real estate taxes, personal property taxes, and either income taxes or sales taxes. The TCJA limited SALT deduction claims to $10,000 (or $5,000 for married taxpayers filing separately) for taxes not paid in the carrying on of a trade or business. It also prohibited SALT claims on taxes paid on foreign real property. Both changes are scheduled to expire after the 2025 tax year. Following enactment of the TCJA, many state and local governments made changes to the tax treatment of various activities, including of pass-through entities, and to charitable donations, which may have lowered the exposure of their residents to the SALT deduction limitation. For tax year 2026, this provision would limit SALT deduction claims to $40,400 (or $20,200 for married taxpayers filing separately). The limitation would be further reduced by an amount equal to 30% of a filer's modified adjusted gross income in excess of $505,000 (or $202,500 for married taxpayers filing separately). The limitation would not be reduced below $10,000 (or $5,000 for married taxpayers filing separately) for taxpayers with modified adjusted gross incomes above $606,333 (or $303,167 for married taxpayers filing separately). This provision would then increase the limitations of SALT deduction claims by 1% per year for tax years 2027 through tax years 2033, with a permanent limitation in subsequent years set equal to tax year 2033 levels. The provision would prohibit SALT deduction claims for foreign real property taxes other than those paid in a carrying on of a trade or business. Separately, partnerships and S corporations would not be able to claim a SALT deduction for specific taxes. The provision would also establish rules that would limit economic activity from pass-through entities and charitable deductions from resulting in tax payments that are not affected by the SALT deduction limitation. This provision is an extension of TCJA with modifications. The provision would apply starting after December 31, 2025.	CRS Report R46246, *The SALT Cap: Overview and Analysis*, by Grant A. Driessen. CRS Report RL32781, *Federal Deductibility of State and Local Taxes*, by Grant A. Driessen. CRS In Focus IF12893, *Selected Issues in Tax Reform: The Deduction for State and Local Taxes*, by Grant A. Driessen.

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Excessive Employee Remuneration from Controlled Group Members and Allocation of Deduction *Section 112019 of the bill* *Section 162(m) of the IRC*	Under current law, deductible compensation of covered employees of publicly traded corporates is limited to $1 million. Covered employees include the principal executive officer, the principal financial officer, and seven of the most highly compensated officers. Covered employees also include covered employees in a preceding taxable year beginning after 2017. The provision would apply an aggregation rule so that the combined deductible compensation by members of a control group cannot exceed $1 million. The deduction would be allocated to members based on their share of total compensation. The provision would be effective for tax years beginning after December 31, 2025.	
Expanding Application of Tax on Excess Compensation Within Tax-Exempt Organizations *Section 112020 of the bill* *Section 4960 of the IRC*	Tax-exempt organizations are subject to an excise tax equal to the corporate 21% tax rate on remuneration of covered employees in excess of $1 million dollars plus excess parachute payments. Parachute payments are made to compensate for a change in ownership or control of a corporation. Excess parachute payments are amounts in excess of three times the past five years' compensation. Covered employees are the five highest-compensated employees as well as covered employees in a preceding taxable year beginning after 2017. Tax-exempt organizations include the broad range of exempt organizations, including cooperatives, government entities, and political organizations. The provision would expand the definition of covered employees to include all employees or former employees. The provision would be effective for tax years beginning after December 31, 2025.	
Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities *Section 112021 of the bill* *Section 4968 of the IRC*	The TCJA added a 1.4% excise tax on net investment income of nonprofit colleges and universities with assets of at least $500,000 per full-time equivalent (FTE) student and more than 500 full-time students. This tax applied to institutions with more than 50% of students in the United States. It does not apply to state and local institutions. The provision would increase the tax rate to 7% for assets of $750,000 or more per FTE student, 14% for assets of $1,250,000 or more per FTE student, and 21% for assets of $2,000,000 or more per FTE student. For this calculation, students would mean only citizens, nationals, or permanent residents of the United States, or those who provide evidence they intend to become citizens or permanent residents. It would exclude religious institutions. Investment income would also include income from interest on	CRS Report R44293, *College and University Endowments: Overview and Tax Policy Options*, by Molly F. Sherlock et al. CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.

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	student loans and federally subsidized royalty income. The provision would be effective for tax years beginning after December 31, 2025.	
Increase in Rate of Tax on Net Investment Income of Certain Private Foundations *Section 112022 of the bill* *Section 4940 of the IRC*	Nonoperating tax-exempt private foundations are subject to a 1.39% excise tax on net investment income. Private foundations that are not tax exempt are subject to a tax of 1.39% plus taxes that would be due if the unrelated business income tax applied (as with a tax-exempt foundation) to the extent these taxes are in excess of the regular income tax paid. The provision would increase the tax rate to 2.78% for institutions with assets of $50 million or more, 5% for those with assets of $250 million or more, and 10% for those with assets of $5 billion or more. Assets include the assets of an organization related to the private foundation. The provision would be effective for the taxable year beginning after the date of enactment.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.
Certain Purchases of Employee-Owned Stock Disregarded for Purposes of Foundation Tax on Excess Business Holdings *Section 112023 of the bill* *Section 4943 of the IRC*	Private foundations are subject to a tax of 10% on business holdings in excess of 20% of a business enterprise. This provision would exclude from business holdings stock that is not publicly traded, that was purchased from an employee stock ownership plan after January 1, 2020, and that is held by the enterprise as Treasury stock, canceled, or retired. The exclusion does not apply to the extent the stock exceeds 49% of the business enterprise and does not apply to purchases in the first 10 years of the plan's establishment. The provision would be effective for taxable years ending after the date of the enactment and for purchases by a business enterprise of voting stock in taxable years beginning after December 31, 2019.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.
Unrelated Business Taxable Income Increased by Amount of Certain Fringe Benefit Expenses for Which Deduction Is Disallowed *Section 112024 of the bill* *Section 512 of the IRC*	Tax-exempt organizations are subject to an unrelated business income tax (UBIT) at the 21% corporate rate on income from an activity not related to the organization's tax-exempt purpose. This provision would disallow a deduction from unrelated business taxable income by the amount paid or incurred for qualified transportation and parking fringe benefits. Under current law, these benefits are excluded from unrelated business taxable income. This provision would apply to amounts paid or incurred after December 31, 2025.	

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Exclusion of Research Income Limited to Publicly Available Research *Section 112025 of the bill* *Section 512 of the IRC*	Under current law, organizations that have as their primary purpose conducting fundamental research that is freely available to the general public may exclude all income generated by the organization's research from the tax on unrelated business income. This provision would limit the exclusion from unrelated business taxable income for tax-exempt organizations to only the income generated from fundamental research that is freely available to the general public. This provision would apply to amounts received or accrued after December 31, 2025.	
Limitation on Excess Business Losses of Noncorporate Taxpayers *Section 112026 of the bill* *Section 461 of the IRC*	This provision would make permanent the limitation on excess business losses of noncorporate taxpayers. The TCJA disallowed a deduction in the current year for "excess business losses" and treats such losses as a NOL carryover to the following year. An excess business loss is the amount that a taxpayer's aggregate deductions attributable to trades and businesses exceed the sum of aggregate gross income or gain attributable to such activities and a threshold amount indexed to inflation. In 2025, the threshold amounts are $313,000 (single) and $626,000 (married). For partnerships and S corporations, this provision is applied at the partner or shareholder level. The provision would also modify the limitation to account for disallowed excess business losses for taxable years starting in 2025. This provision is an extension of TCJA with modifications. This provision would apply starting after December 31, 2024.	
One-Percent Floor on Deduction of Charitable Contributions Made by Corporations *Section 112027 of the bill* *Section 170 of the IRC*	Corporations are eligible for a charitable contribution up to 10% of taxable income. Any excess contributions can be carried forward and deducted over the next five years. Conservation contributions of real property interests by farmers, ranchers, and native corporations can be deducted to the extent taxable income exceeds other charitable contributions. These contributions can be carried forward and deducted over the next 15 years. This provision would impose a 1% floor on corporate charitable corporations, so that charitable contributions would be deducted only to the extent they exceed 1% of taxable income up to 10% of taxable income. Contributions disallowed under the 1% floor in a year when contributions exceed 10% of taxable income may be carried forward for 10 years. Conservation contributions are not affected.	CRS Report R45922, *Tax Issues Relating to Charitable Contributions and Organizations*, by Jane G. Gravelle, Donald J. Marples, and Molly F. Sherlock.

Section Title	Description	CRS Resources
	The provision would be effective for tax years beginning after December 31, 2025.	
Enforcement of Remedies Against Unfair Foreign Taxes *Section 112028 of the bill* *New Section 899 of the IRC*	This provision would impose an additional tax on foreign individuals and corporations whose governments impose discriminatory taxes on U.S. firms. The tax would start at 5% and increase in 5% increments up to a maximum of 20% for each year discriminatory taxes were imposed. Discriminatory taxes might include certain taxes imposed on U.S. firms under the OECD Pillar 2 global minimum tax that would increase the effective tax rate to 15% (the undertaxed profits rule or UTPR) and the digital services taxes imposed in a number of countries that are claimed to target U.S. firms. The tax would be collected by increasing the withholding tax rates on certain passive income such as dividends and some interest and capital gains derived from U.S. sources by foreigners. It would also be collected by increasing the corporate and individual income taxes of foreign investors derived from operating a trade or business in the United States. It would also be imposed on foreign private foundations subject to an excise tax. The taxes would also be collected by expanding the scope of the base erosion tax for foreign-owned U.S. corporations to include more payments, increasing the rate to 12.5%, and disallowing credits. The tax would be effective on the date of enactment.	CRS Report R47174, *The Pillar 2 Global Minimum Tax: Implications for U.S. Tax Policy*, by Jane G. Gravelle and Mark P. Keightley. CRS Report R47988, *The OECD/G20 Pillar 1 and Digital Services Taxes: A Comparison*, by Jane G. Gravelle. CRS Report R45186, *Issues in International Corporate Taxation: The 2017 Revision (P.L. 115-97)*, by Jane G. Gravelle and Donald J. Marples. CRS In Focus IF12498, *Foreign Investment in Real Property Act (FIRPTA)*, by Jane G. Gravelle. CRS Report R40468, *Tax Treaty Legislation in the 111th Congress: Explanation and Economic Analysis*, by Donald J. Marples.
Modification of Treatment of Silencers *Section 112029 of the bill* *Sections 5811, 5821, and 5845 of the IRC*	Currently, the National Firearms Act imposes a $200 tax on the making or transfer of certain firearms such as short-barreled shotguns, machine guns, destructive devices, and silencers. This provision would eliminate the taxes on silencers and reduce the taxes on some other weapons to $5. The other weapons include weapons that can be concealed and fired through an explosive, a pistol or revolver with a smooth bore designed to fire a shotgun shell, a single-shot weapon with a shotgun/rifle barrel of 12 inches but less than 18. It does not include a pistol or revolver having a rifled bore or a weapon made to be fired from the shoulder and not capable of firing fixed ammunition. The proposal would be effective on the date of enactment.	CRS Report R45123, *Guns, Excise Taxes, Wildlife Restoration, and the National Firearms Act*, by R. Eliot Crafton, Jane G. Gravelle, and Jordan B. Cohen.
Limitation on Drawback of Taxes Paid with Respect to Substituted Merchandise *Section 112031 of the bill* *Not a part of the IRC*	Under current law, producers of goods subject to excise tax (such as beer, wine, distilled spirts, and tobacco products) are eligible for a refund of excise tax if they export a tax-paid good. Alternatively, they can use the customs drawback process to apply those taxes to similar taxes on imported goods. Since around 2004, wine	CRS Report R48181, *Alcohol Excise Taxes: An Overview*, by Anthony A. Cilluffo and Jane G. Gravelle.

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	manufacturers have been able to stack tax benefits by exporting wine tax-free directly from a bonded warehouse and also claiming a drawback of (unpaid) excise tax against similar wine imports. This process, sometimes called "double drawback," allows imported wine to enter the country effectively free of excise tax. A series of federal court decisions in 2020 and 2021 potentially allowed similar treatment for other excise-taxable goods besides wine. This provision would permanently limit excise tax drawback claims on tobacco products to the amount of taxes paid and not already returned by refund, credit, or drawback. It would not affect drawback for other products, including alcoholic beverages. This provision would apply to claims filed on or after July 1, 2026.	
Treatment of Payments from Partnerships to Partners for Property or Services *Section 112032 of the bill* *Section 707 of the IRC*	Under current law, payments from partnerships to partners for property or services that are not in their capacity as partners are treated as independent transactions. Under regulations prescribed by the Secretary, a transaction that is accompanied by a direct or indirect allocation of income is also treated as a payment not in their capacity as partners. This provision in current law is designed to deal with arrangements to allow partnerships not to capitalize property, with the costs deducted over a period of time. This provision would change the language from "Under regulations prescribed" to "Except as provided" by the Secretary. This change would give the Treasury more flexibility in determining whether a transaction should be treated as made in the capacity as a partner. This provision would apply to services performed and property transferred after the date of enactment.	CRS Report R43104, *A Brief Overview of Business Types and Their Tax Treatment*, by Mark P. Keightley.
Part 2—Removing Taxpayer Benefits for Illegal Immigrants		
Permitting Premium Tax Credits only for Certain Individuals *Section 112101 of the bill* *Section 36B of the IRC*	Under current law, eligible households may receive a premium tax credit (PTC) to subsidize the cost associated with enrolling in specified health plans offered through health insurance exchanges. U.S. citizens, U.S. nationals, or "lawfully present" individuals may be eligible for the PTC. Currently, "lawfully present" is defined in regulations. This provision would deem three specific categories of noncitizens to be "eligible aliens" for the PTC: lawful permanent residents, Compact of Free Association migrants lawfully residing in the United States, and certain Cuban citizens/nationals approved for family-based immigration and who meet other criteria.	CRS Report R44425, *Health Insurance Premium Tax Credit and Cost-Sharing Reductions*, by Bernadette Fernandez. CRS Report R47351, *Noncitizens' Access to Health Care*, by Abigail F. Kolker and Elayne J. Heisler.

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	This provision would apply to plan years beginning on or after January 1, 2027.	
Disallowing Premium Tax Credits During Periods of Medicaid Ineligibility Due to Alien Status *Section 112102 of the bill* *Section 36B of the IRC*	Under current law, eligible households may receive a premium tax credit (PTC) to subsidize the cost associated with enrolling in specified health plans offered through health insurance exchanges. U.S. citizens, U.S. nationals, or lawfully present individuals may be eligible for the PTC. Lawfully present individuals with income below 100% of the federal poverty level (FPL) and who are not eligible for Medicaid for the first five years after grant of status (five-year bar) may be eligible for the PTC. This provision would strike the statutory language that allows lawfully present individuals with income below 100% of FPL to be eligible for the PTC under the five-year bar. This provision would apply to taxable years beginning after December 31, 2025.	CRS Report R44425, *Health Insurance Premium Tax Credit and Cost-Sharing Reductions*, by Bernadette Fernandez. CRS In Focus IF11912, *Noncitizen Eligibility for Medicaid and CHIP*, by Evelyne P. Baumrucker and Abigail F. Kolker. CRS Report R47351, *Noncitizens' Access to Health Care*, by Abigail F. Kolker and Elayne J. Heisler.
Excise Tax on Remittance Transfers *Section 112104 of the bill* *New sections 36C, 4475, and 6050BB of the IRC*	This provision would create a new, permanent 3.5% excise tax on remittance transfers. The excise tax would be paid by the sender and collected by the transfer provider at the time the remittance transfer is sent. In this context, a remittance is an electronic transfer of funds of more than $15 from someone in the United States to a specific person in a foreign country. U.S. citizens would be exempt from the excise tax if they send their remittance through a qualified transfer provider and the provider verifies their citizenship. If U.S. citizens pay excise tax on a remittance transfer, then they are eligible for a refundable income tax credit for the amount of excise tax paid. The provision would also create several information reporting requirements related to remittance transfers. The excise tax and information reporting requirements would apply to transfers made after December 31, 2025. The income tax credit for remittance excise tax paid would apply in tax years 2026 and later.	
Social Security Number Requirement for American Opportunity and Lifetime Learning Credits *Section 112105 of the bill* *Section 25A of the IRC*	The American Opportunity Tax Credit and Lifetime Learning Tax Credit are credits for higher education expenses. This provision would require that to claim these credits taxpayers must provide work-eligible Social Security numbers for themselves, their spouses (if married), and the individual for whom they paid the qualifying expenses for purposes of the credit (if such individual is neither the taxpayer nor the taxpayer's spouse). The provision would also clarify that taxpayers must provide the employer identification numbers of the institutions for which they are claiming the American Opportunity Tax Credit.	CRS Report R42561, *The American Opportunity Tax Credit: Overview, Analysis, and Policy Options*, by Margot L. Crandall-Hollick. CRS Report R41967, *Higher Education Tax Benefits: Brief Overview and Budgetary Effects*, by Margot L. Crandall-Hollick and Brendan McDermott.

Section Title	Description	CRS Resources
	Some of those married filing separately who live apart from their spouse could gain eligibility for the credits. This provision would apply from 2026 onward.	
Part 3—Preventing Fraud, Waste, and Abuse		
Requiring Exchange Verification of Eligibility for Health Plan *Section 112201 of the bill* *Section 36B of the IRC*	Under current law, eligible households may receive a premium tax credit (PTC) to subsidize the cost associated with enrolling in specified health plans offered through health insurance exchanges. For purposes of determining eligibility, an exchange is required to verify household income and other items included in an insurance application, as specified under statute and accompanying regulations. This provision would require exchange verification of specific insurance application information for purposes of enrolling in an exchange plan and allowing the PTC and cost-sharing reductions. Such information would include income, any immigration status, any health coverage status or eligibility for coverage, place of residence, family size, and other information that may be determined by the Secretary of the Treasury to be necessary to conduct verification. An exchange would be required to implement a preenrollment verification process to allow insurance applicants to verify their eligibility for enrollment in exchange plans, the PTC, and cost-sharing reductions. This provision would apply to taxable years beginning after December 31, 2027.	CRS Report R44425, *Health Insurance Premium Tax Credit and Cost-Sharing Reductions*, by Bernadette Fernandez.
Disallowing Premium Tax Credit in Case of Certain Coverage Enrolled During Special Enrollment Period *Section 112202 of the bill* *Section 36B of the IRC*	Under current law, eligible households may receive a premium tax credit (PTC) to subsidize the cost associated with enrolling in specified health plans offered through health insurance exchanges. Generally, individuals may enroll in such plans only during an open enrollment period or a special enrollment period (SEP) if they are experiencing circumstances specified in regulations. Such circumstances may involve a change in income, family composition, employment, access to subsidized health benefits, or other changes. This provision would disallow the PTC for individuals who enrolled in an exchange plan during an SEP on the basis of expected household income that does not meet a percentage of the poverty line, as determined by the Secretary of Health and Human Services, and is not connected to a change in other circumstances. This provision would apply after the third calendar month ending after the date of enactment.	CRS Report R44425, *Health Insurance Premium Tax Credit and Cost-Sharing Reductions*, by Bernadette Fernandez. CRS Report R44065, *Health Insurance Exchanges and Qualified Health Plans: Overview and Policy Updates*, by Vanessa C. Forsberg.

Section Title	Description	CRS Resources
Eliminating Limitation on Recapture of Advance Payment of Premium Tax Credit *Section 112203 of the bill* *Section 36B of the IRC*	Under current law, eligible households may receive a premium tax credit (PTC) to subsidize the cost associated with enrolling in specified health plans offered through health insurance exchanges. Individuals may receive advance payments of the credit (APTC) based on an estimate of income. The total APTC amount is reconciled in tax returns based on actual income. Excess APTC amounts must be paid back, with partial repayments of excess amounts allowed for households with incomes below 400% of the federal poverty level. This provision would strike the statutory language allowing for partial repayments of excess APTC, requiring taxpayers to repay the full amount of any excess APTC, regardless of income level. This provision would apply to taxable years beginning after December 31, 2025.	CRS Report R44425, *Health Insurance Premium Tax Credit and Cost-Sharing Reductions*, by Bernadette Fernandez.
Enforcement Provisions with Respect to COVID-Related Employee Retention Credits *Section 112205 of the bill* *Not a part of the IRC*	The COVID employee retention credit (COVID ERC) was available during parts of 2020 and 2021 to employers for wages paid during periods when the employer was subject to a government-ordered shutdown due to COVID and to employers that experienced a significant revenue loss due to COVID. Following a surge in employers filing amended tax returns to claim the COVID ERC and concerns from the IRS that many of the amended claims were ineligible, the IRS announced a processing moratorium starting in September 2023. The IRS subsequently announced limited processing of claims filed between September 2023 and January 2024. This provision would make several changes to COVID ERC processing and enforcement. It would disallow the credit for any claims filed after January 31, 2024 (otherwise, the deadline would be April 15, 2025). It would increase penalties on COVID ERC promoters, increase due diligence requirements for COVID ERC claims preparers, and extend the period for the IRS to issue assessments related to COVID ERC claims and related amendments to income tax returns. This provision would apply to assistance provided after March 12, 2020. The due diligence requirements would apply to assistance provided after the date of enactment. The extension of the time period for assessments would apply to credits allowed and refunds made after the date of enactment.	CRS Insight IN12246, *IRS Processing and Examination of COVID Employee Retention Credit Claims*, by Anthony A. Cilluffo. CRS Insight IN11819, *Early Sunset of the Employee Retention Credit*, by Anthony A. Cilluffo and Molly F. Sherlock. CRS Insight IN11299, *COVID-19: The Employee Retention Tax Credit*, by Molly F. Sherlock.

Section Title	Description	CRS Resources
Earned Income Tax Credit Reforms *Section 112206 of the bill* *Existing Section 32 and New Section 6720D of the IRC*	This proposal would establish a program under which the Secretary of the Treasury grants certificates establishing a taxpayer's exclusive right to claim a child for purposes of the EITC, based on applications and supporting documentation. The Secretary would use this information to resolve disputes over who may claim a child. From 2024 through 2027, should more than one taxpayer claim a given child for the EITC, neither would receive a refund for claiming the child until October 15 of the filing year. From 2028 onward, taxpayers could not receive a tax refund from claiming a child on the EITC unless the taxpayer had a certificate for that child. The provision also creates penalties for those who commit fraud or who intentionally or recklessly disregard rules or regulations when applying for a certificate. The provision also raises the amount of the EITC for Purple Heart recipients who lost Social Security Disability Insurance benefit eligibility by earning income. The increase would equal the amount of the individual's final monthly SSDI payment times the number of months since that last payment, for up to 12 months after the claimant has lost eligibility. Lastly, the proposal would generally limit the EITC to taxpayers who provide a work-eligible SSN for themselves, their spouse (if married), and any children they claim for the credit. Under current law, certain nonwork SSNs issued before 2003 are sufficient for purposes of the EITC. This provision would have several effective dates, and would enforce the child certification requirements in taxable years beginning after December 31, 2027.	CRS Report R43805, *The Earned Income Tax Credit (EITC): How It Works and Who Receives It*, by Brendan McDermott, Margot L. Crandall-Hollick, and Conor F. Boyle. CRS Report R43873, *The Earned Income Tax Credit (EITC): Administrative and Compliance Challenges*, by Margot L. Crandall-Hollick. CRS Report R44057, *The Earned Income Tax Credit (EITC): An Economic Analysis*, by Margot L. Crandall-Hollick and Joseph S. Hughes.
Task Force on the Termination of Direct File *Section 112207 of the bill* *Not a part of the IRC*	During the 2024 tax filing season, the IRS began a pilot Direct File program, which allowed 19 million individual taxpayers in 12 eligible states the option to file their 2023 tax returns directly to the IRS through a secure portal on its website. The pilot was expanded to 25 states for the 2025 tax filing season. This provision would direct the Secretary of the Treasury to terminate the Direct File Program. The provision would also appropriate funds for FY2026 for a report studying potential designs and issues with a public-private partnership providing for free tax filing options for up to 70% of taxpayers, similar to the goal of the existing Free File Alliance. Termination of the Direct File Program would be required within 30 days of enactment.	CRS In Focus IF12654, *IRS Direct File Program: An Overview*, by Gary Guenther.

Section Title	Description	CRS Resources
Increase in Penalties for Unauthorized Disclosure of Taxpayer Information *Section 112208 of the bill* *Sections 6103 and 7213 of the IRC*	Current law requires that taxpayer information be kept confidential, except in narrowly defined circumstances, and willful disclosure of taxpayer information outside of those cases may be subject to criminal penalties, including a fine of up to $5,000 and a term of imprisonment of up to five years. This provision would increase the maximum allowable criminal penalties for unauthorized disclosure of taxpayer information to a fine of $250,000 and/or imprisonment of 10 years. It would also specify that disclosure of multiple taxpayers' information is a separate crime for each affected taxpayer. This provision would take effect on the date of enactment.	CRS Report R48323, *Disclosure of Federal Tax Return Information to Congressional Committees*, by Justin C. Chung.
Restriction on Regulation of Contingency Fees with Respect to Tax Returns, Etc. *Section 112209 of the bill* *Section 162 of the IRC*	The eligibility of advance payments as a current business expense for attorneys representing clients on a contingency fee basis has been subject to legal dispute. The IRS has held that, in most cases, such payments are not eligible for a deduction. This provision would specify that the Secretary of Treasury may not regulate, prohibit, or restrict use of a contingency fee in connection with tax returns. This provision would take effect on the date of enactment.	CRS Report R47519, *An Overview of the Corporate Income Tax System*, by Mark P. Keightley and Donald J. Marples.

Source: CRS analysis of H.R. 1 as it passed the House on May 22, 2025. This text consisted of Rules Committee Print 119-3 as modified by the Manager's Amendment printed in H. Rept. 119-113. See House Committee on Rules, Rules Committee Print 119-3, https://rules.house.gov/sites/evo-subsites/rules.house.gov/files/documents/rcp_119-3_final.pdf and House Committee on Rules, *Providing for Consideration of the Bill (H.R. 1) to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14*, https://www.govinfo.gov/content/pkg/CRPT-119hrpt113/pdf/CRPT-119hrpt113.pdf.

Notes: "IRC" is the Internal Revenue Code. "TCJA" is P.L. 115-97, commonly referred to as the Tax Cuts and Jobs Act (TCJA). Within the description, "Section" citations refer to the section within the IRC, unless otherwise noted.

Table 4. Subtitle D—Increase in Debt Limit

Section Title	Description	CRS Resources
Modification of Limitation on the Public Debt *Section 113001 of the bill* *Section 3101 of Title 31, United States Code*	In January 2025, the statutory debt limit was reinstated following a period of suspension and set to $36.1 trillion, a level matching federal debt subject to the limit. The Treasury Department is currently implementing extraordinary measures to prevent the debt limit from binding: those measures are projected to be exhausted in August or September 2025, at which time under current law federal spending obligations could only be made to the extent that they were matched with incoming revenues. This provision would increase the statutory debt limit by $4.0 trillion, establishing a new limit of $40.1 trillion.	CRS In Focus IF10292, *The Debt Limit*, by Grant A. Driessen. CRS Insight IN10837, *Debt Limit Policy Questions: What Are Extraordinary Measures?*, by Grant A. Driessen. CRS Report R47574, *Debt Limit Policy Questions: What Are the Potential Economic Effects of a Binding Federal Debt Limit?*, by Grant A. Driessen.

Source: CRS analysis of H.R. 1 as it passed the House on May 22, 2025. This text consisted of Rules Committee Print 119-3 as modified by the Manager's Amendment printed in H. Rept. 119-113. See House Committee on Rules, Rules Committee Print 119-3, https://rules.house.gov/sites/evo-subsites/rules.house.gov/files/documents/rcp_119-3_final.pdf and House Committee on Rules, *Providing for Consideration of the Bill (H.R. 1) to Provide for Reconciliation Pursuant to Title II of H. Con. Res. 14*, https://www.govinfo.gov/content/pkg/CRPT-119hrpt113/pdf/CRPT-119hrpt113.pdf.

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