United States House Committee on
Ways & Means
CHAIRMAN JASON SMITH

The One, Big, Beautiful Bill

Title XI – Committee on Ways and Means

Section-by-Section

Subtitle A – Make American Families and Workers Thrive Again

Part I – Permanently Preventing Tax Hikes on American Families and Workers

Sec. 110001. Extension of modification of rates.
Current Law: Under current law, the modified federal income tax bracket schedule and lower tax rates are set to expire after December 31, 2025.

Provision: This provision makes permanent the modified federal income tax bracket schedule and lower tax rates created by the *Tax Cuts and Jobs Act*. The provision also adds an additional year of inflation adjustment to all brackets except for the top bracket (37 percent).

Tax Rates & Brackets (2026)		
Bracket	Current Law	Provision
1	10.0%	10.0%
2	15.0%	12.0%
3	25.0%	22.0%
4	28.0%	24.0%
5	33.0%	32.0%
6	35.0%	35.0%
7	39.6%	37.0%

Sec. 110002. Extension of increased standard deduction and temporary enhancement.
Current Law: Under current law, the increased standard deduction is set to expire after December 31, 2025.

Provision: This provision makes permanent the nearly doubled standard deduction created by the *Tax Cuts and Jobs Act*. The provision further increases the standard deduction by including an extra year of inflation adjustment. Additionally, for tax years 2025 through 2028, this provision increases the standard deduction by an additional $1,000 for a single filer, $1,500 for head of household, and $2,000 for married filing jointly. The impact of these modifications to the standard deduction for 2026, according to filing status, is summarized below.

Standard Deduction (2026)		
Filing Status	Current Law	Provision
Single	$8,300	$16,300
Head of Household	$12,150	$24,500
Married Filing Jointly	$16,600	$32,600

*** Joint Committee of Taxation, 2026 Projection*

Sec. 110003. Termination of deduction for personal exemptions.
Current Law: Under current law, the deduction for personal exemptions is set to return after December 31, 2025.

Provision: This provision permanently repeals the deduction for personal exemptions.

Sec. 110004. Extension of increased child tax credit and temporary enhancement.
Current Law: Under current law, the child tax credit will return to pre-2017 levels after December 31, 2025. This means that the credit amount will drop from $2,000 to $1,000 per child, the child Social Security number (SSN) requirement will be eliminated, and fewer American families will qualify for the credit as the income phase-out levels return to much lower thresholds. Additionally, the $500 nonrefundable credit for non-child dependents will expire after December 31, 2025.

Provision: This provision makes permanent the doubled child tax credit of $2,000 per child, maintains the increased income phase-out thresholds, and maintains the nonrefundable, non-child dependent credit. Additionally, this provision permanently indexes the credit amount for inflation beginning after 2026 (rounded down to the nearest $100) and leaves the refundable credit unchanged.

Furthermore, the requirement of the child's SSN for purposes of claiming the credit is maintained and expanded upon to require the taxpayer's SSN and, for joint filers, the spouse's SSN in order to claim the credit. The SSNs provided must be considered work-eligible in order to claim the credit.

Additionally, this provision increases the child tax credit to $2,500 per child for tax years 2025 through 2028.

Finally, this provision allows for the election to treat income from a 501(d) organization as earned income for purposes of the CTC.

Sec. 110005. Extension of deduction for qualified business income and permanent enhancement.
Current Law: Under current law, an individual generally may deduct 20 percent of qualified business income from a partnership, S corporation, or sole proprietorship, as well as 20 percent

of certain real estate investment trust dividends and publicly traded partnership income. The deduction is limited to 20 percent of taxable income minus net capital gain.

Special rules apply to taxpayers with taxable income in excess of the "threshold amount," which, for tax year 2025, is $394,600 for married taxpayers filing jointly and $197,300 for all other taxpayers. The threshold amount is indexed annually for inflation. For taxpayers with taxable income in excess of the threshold amount, the deduction for qualified business income is limited based on (1) the W-2 wages and capital investment of each relevant business (the "wage and investment limitation"), and (2) whether each relevant business is a specified service trade or business (the "SSTB limitation"). Both limitations phase in over a fixed range of taxable income ($100,000 for married taxpayers filing jointly and $50,000 for all other taxpayers). Due to the structure of these phase-ins, some taxpayers are subject to marginal tax rates close to 70 percent.

The deduction for qualified business income is set to expire for taxable years beginning after December 31, 2025.

<u>Provision:</u> This provision makes the deduction for qualified business income permanent. For taxable years beginning after December 31, 2025, this provision also increases the deduction percentage from 20 percent to 23 percent.

This provision also modifies the phase-in of the wage and investment limitation and the SSTB limitation. Under this provision, instead of phasing in over a fixed range of taxable income, these limitations phase in at a fixed rate. Specifically, for each dollar of taxable income over the threshold amount, a taxpayer's deduction for qualified business income is reduced by 75 cents until both limitations are fully phased in. This change prevents taxpayers from being subject to marginal tax rates close to 70 percent.

Additionally, this provision modifies the calculation of the threshold amount by adding an additional year of inflation adjustment.

This provision also makes certain income of business development companies (as defined in the *Investment Company Act of 1940*) eligible for the qualified business income deduction.

Sec. 110006. Extension of increased estate and gift tax exemption amounts and permanent enhancement.

<u>Current Law:</u> Under current law, the increased estate and lifetime gift tax exemption amount is set to expire after December 31, 2025.

<u>Provision:</u> This provision permanently extends the estate and lifetime gift tax exemption, increases the exemption amount to $15 million for single filers ($30 million for married filing jointly) in 2026, and indexes the exemption amount for inflation going forward.

Sec. 110007. Extension of increased alternative minimum tax exemption and phase-out thresholds.
Current Law: Under current law, the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds are set to expire for taxable years beginning after December 31, 2025.

Provision: This provision permanently extends the increased individual alternative minimum tax exemption amounts and exemption phase-out thresholds.

Sec. 110008. Extension of limitation on deduction for qualified residence interest.
Current Law: Under current law, the deduction for qualified residence interest, also known as the home mortgage interest deduction, is set to increase from the first $750,000 in home mortgage acquisition debt to $1 million after December 31, 2025.

Provision: This provision permanently lowers the deduction for qualified residence interest to the first $750,000 in home mortgage acquisition debt.

Sec. 110009. Extension of limitation on casualty loss deduction.
Current Law: Under current law, the itemized deduction for uncompensated personal casualty losses resulting from a fire, storm, shipwreck, other casualty, or theft is set to return after December 31, 2025.

Provision: This provision permanently allows for the itemized deduction for only personal casualty losses resulting from federally declared disasters.

Sec. 110010. Termination of miscellaneous itemized deduction.
Current Law: Under current law, individuals will be permitted to deduct certain miscellaneous itemized deductions in taxable years beginning after December 31, 2025.

Provision: This provision permanently eliminates miscellaneous itemized deductions.

Sec. 110011. Limitation on tax benefit of itemized deductions.
Current Law: Under current law, in tax years beginning after December 21, 2025 certain individual taxpayers will be subject to an overall limitation on itemized deductions known as the "Pease limitation." In 2026, the Pease limitation is expected to apply to taxpayers with adjusted gross income above the following thresholds: $339,850 for single filers, $373,850 for head of household filers, and $407,850 for married joint filers. A taxpayer subject to the Pease limitation is generally required to reduce itemized deductions by three percent of the amount by which the taxpayer's adjusted gross income exceeds the applicable income threshold.

Additionally, the value of a taxpayer's itemized deductions depends on the taxpayer's marginal income tax rate. For instance, generally, for a taxpayer in the 37 percent individual income tax bracket, each dollar of itemized deductions has a value of $0.37.

Provision: This provision permanently repeals the Pease limitation and replaces it with a new overall limitation on itemized deductions. This provision caps the value of each dollar of itemized deductions at $0.35, in most cases, and applies only to taxpayers in the highest individual income tax bracket. This new limitation is effective for taxable years beginning after December 31, 2025.

Sec. 110012. Termination of qualified bicycle commuting reimbursement exclusion.
Current Law: Under current law, the $20 per month qualified bicycle commuting reimbursement exclusion received by an employee from an employer is set to return for taxable years beginning after December 31, 2025.

Provision: This provision permanently eliminates the qualified bicycle commuting reimbursement exclusion.

Sec. 110013. Extension of limitation on exclusion and deduction for moving expenses.
Current Law: Under current law, both the exclusion for qualified moving expenses reimbursement and the deduction for moving expenses are set to return for taxable years beginning after December 31, 2025.

Provision: This provision permanently eliminates both the exclusion for qualified moving expenses reimbursement and the deduction for moving expenses, except for active-duty members of the Armed Forces.

Sec. 110014. Extension of limitation on wagering losses.
Current Law: Under current law, taxpayers can claim a deduction for wagering losses to the extent of wagering winnings. Other deductions connected to wagering may also be claimed regardless of wagering winnings.

Provision: This provision permanently requires that all deductions for expenses incurred in relation to wagering also be limited to the extent of wagering winnings.

Sec. 110015. Extension of increased limitation on contributions to ABLE accounts and permanent enhancement.
Current Law: Under current law, the additional contribution limit to Achieving a Better Life Experience (ABLE) accounts, which is equal to the lesser of (1) the applicable federal poverty level for a one-person household in the prior year, or (2) the beneficiary's compensation for the year, is set to expire on December 31, 2025.

Provision: This provision permanently allows the additional contributions to ABLE accounts. The provision also provides an additional year of inflation adjustment for the base amount of the limit.

Sec. 110016. Extension of savers credit allowed for ABLE contributions.
Current Law: Under current law, eligibility for the Saver's Credit for designated beneficiaries who make qualified contributions to their Achieving a Better Life Experience (ABLE) accounts is set to expire on December 31, 2025.

Provision: This provision permanently allows designated beneficiaries who make qualified contributions to their ABLE account to qualify for the Saver's Credit.

Sec. 110017. Extension of rollovers from qualified tuition programs to ABLE accounts permitted.
Current Law: Under current law, the ability to make tax-free rollovers of amounts from Section 529 qualified tuition programs to qualified Achieving a Better Life Experience (ABLE) programs is set to expire on December 31, 2025.

Provision: This provision permanently allows tax-free rollovers of amounts in Section 529 qualified tuition programs to qualified ABLE programs.

Sec. 110018. Extension of treatment of certain individuals performing services in the Sinai Peninsula and enhancement to include additional areas.
Current Law: Under current law, the Sinai Peninsula will no longer be considered a qualified hazardous duty area for tax purposes after December 31, 2025.

Provision: This provision permanently lists the Sinai Peninsula, in addition to Kenya, Mali, Burkina Faso, and Chad, as a qualified hazardous duty area for tax purposes.

Sec. 110019. Extension of exclusion from gross income of student loans discharged on account of death or disability.
Current Law: Under current law, any income resulting from the discharge of student debt on account of death or total disability of the student is excluded from taxable income. This treatment of discharge income due to death or disability is set to expire after December 31, 2025.

Provision: This provision permanently extends the exclusion from a taxpayer's income of any income resulting from the discharge of student debt on account of death or total disability of the student. This provision also adds Social Security number requirements for the taxpayer in order to be able to claim such exclusion.

Part 2 – Additional Tax Relief for American Families and Workers

Sec. 110101. No tax on tips.
Current Law: Not applicable.

Provision: This provision creates an above-the-line deduction for qualified tips received by an individual in an occupation which traditionally and customarily receives tips during a given taxable year. In order to be considered a qualified tip, the tip amount must be paid voluntarily, is not subject to negotiation, and is determined by the payor. The deduction is allowed for both employees receiving a W-2 and independent contractors receiving a 1099-K, 1099-NEC, or reported by the taxpayer on Form 4317. Qualified tips must be received voluntarily by an individual in an occupation that traditionally and customarily receives tips on or before December 31, 2024, as provided by the Secretary of the Treasury. Furthermore, qualified tips do not include any amount received in the course of a specified service trade or business as defined in Internal Revenue Code (IRC) section 199A(d)(2)). Additionally, highly compensated employees or workers with earned income exceeding the dollar amount in effect under IRC section 414(q)(1)(B)(i) are ineligible to receive the deduction. A work-eligible Social Security number is required in order to claim the deduction. The deduction is allowed from tax years 2025 through 2028.

FICA Tip Tax Credit
<u>Current Law:</u> Under current law, the Federal Insurance Contribution Act (FICA) tip tax credit is limited to cash tips received for providing, serving, or delivering food or beverages.

<u>Provision:</u> This provision expands the FICA tip tax credit for a portion of the employer-paid Social Security taxes for employee cash tips to include beauty service establishments. The credit applies to tips received in connection with providing beauty services to a customer or client if tipping employees who provide the service is customary. Beauty services include barbering and hair care, nail care, esthetics, and body and spa treatments.

Sec. 110102. No tax on overtime.
<u>Current Law:</u> Not applicable.

<u>Provision:</u> This provision creates an above-the-line deduction for overtime premium pay during a given taxable year. Qualified overtime compensation means overtime compensation paid to an individual required under Section 7 of the *Fair Labor Standards Act of 1938* that is in excess of the regular rate (as used in such section) at which such individual is employed. Additionally, taxpayers who are highly compensated employees or with earned income exceeding the dollar amount in effect under IRC section 414(q)(1)(B)(i) are ineligible to receive the deduction. A work-eligible Social Security number is required in order to claim the deduction. The deduction is allowed from tax years 2025 through 2028.

Sec. 110103. Enhanced deduction for seniors.
<u>Current Law:</u> Not applicable.

<u>Provision:</u> This provision provides a deduction for seniors (age 65 or older) of $4,000 per eligible filer with a modified adjusted gross income that does not exceed $75,000 for single filers ($150,000 for married filing jointly). The senior deduction is available to both itemizers and non-itemizers. The deduction is allowed for tax years 2025 through 2028.

Sec. 110104. No tax on car loan interest.
Current Law: Not applicable.

Provision: This provision creates an above-the-line deduction of up to $10,000 for qualified passenger vehicle loan interest during a given taxable year. The deduction phases out starting when the taxpayer's modified adjusted gross income exceeds $100,000 ($200,000 in the case of a joint return). For purposes of the deduction, an applicable passenger vehicle of which interest can be deducted is (1) manufactured primarily for use on public streets, roads, and highways; (2) which has at least two wheels; (3) which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle; and (4) the final assembly of which occurs in the U.S. For the purposes of the deduction, an applicable passenger vehicle also includes all-terrain vehicles and recreational vehicles which the final assembly of which occurs in the U.S. The deduction is allowed from tax years 2025 through 2028.

Sec. 110105. Enhancement of employer-provided child care credit.
Current Law: Under current law, the employer-provided child care credit (section 45F) provides businesses a nonrefundable tax credit of up to $150,000 per year on up to 25 percent of qualified child care expenses provided to employees. Therefore, an employer must spend at least $600,000 on child care related expenses to receive the full credit. The credit has remained unchanged since its creation in 1986.

Provision: This provision permanently increases the employer-provided child care credit, creates a separate credit amount for qualified small businesses, and indexes the maximum credit amounts for inflation.

Specifically, this provision increases the maximum credit from $150,000 to $500,000 and the percentage of qualified child care expenses covered from 25 percent to 40 percent. Therefore, a business must spend at least $1.25 million on child care related expenses to receive the full credit. Additionally, section 45F is further strengthened for small businesses by increasing the maximum credit to $600,000 and the percent of qualified child care expenses covered to 50 percent. Therefore, a small business must spend at least $1.2 million on child care related expenses to receive the full credit. An eligible small business is one that meets the gross receipts test under Internal Revenue Code section 448(c) for a five-year period.

Additionally, this provision allows for small businesses to pool their resources to provide child care to their employees and for businesses to use a third-party intermediary to facilitate child care services on their behalf.

Employer-Provided Child Care Tax Credit (Section 45F)		
Provision	Current Law	Provision
Maximum Credit	$150,000	$500,000
Maximum Credit (Small Businesses)	n/a	$600,000
% of Expenses Covered	25%	40%
% of Expenses Covered (Small Businesses)	n/a	50%
Small Business Pooling	NO	YES
Intermediaries	NO	YES

Sec. 110106. Extension and enhancement of paid family and medical leave credit.
Current Law: Under current law, the paid family and medical leave (PFML) tax credit, created by the *Tax Cuts and Jobs Act*, provides businesses with a nonrefundable tax credit ranging from 12.5 percent to 25 percent of the wages paid to employees on leave.

For an employer to claim the credit they must (1) provide at least two weeks of PFML to all eligible employees annually, (2) have a written policy in effect, and (3) pay at least 50 percent of normal wages to employees during their leave. Employers can claim up to 12 weeks of paid leave benefits. An eligible employee is a full- or part-time employee that has (1) worked for the employer for at least one year and (2) earns no more than 60 percent of the "highly compensated employee" limit ($96,000 in 2025).

The PFML credit is set to expire after December 31, 2025.

Provision: This provision makes permanent the PFML tax credit and makes three modifications. First, it expands the credit allowing employers to claim the credit for a portion of paid family leave (PFL) insurance premiums. PFL insurance is a newer offering that is primarily utilized by smaller businesses to offer paid leave benefits to their employees and is available in a growing number of states. Second, it makes the credit available in all states. Third, it lowers the minimum employee work requirement from 1-year to 6-months.

Sec. 110107. Enhancement of adoption credit.
Current Law: Under current law, for the 2024 tax year, the adoption tax credit is capped at $16,810 for qualified adoption expenses when adopting an eligible child. The credit begins to phase out for adjusted gross incomes (AGIs) over $252,150 and completely phases out at AGIs over $292,150. Both the credit and AGI limits are indexed for inflation. The credit is nonrefundable; however, any unused credit can be carried forward for up to five years.

Provision: This provision makes the adoption tax credit partially refundable up to $5,000 (indexed for inflation) beginning in tax years starting after December 31, 2024. The refundable portion of the credit cannot be carried forward.

Sec. 110108. Recognizing Indian tribal governments for purposes of determining whether a child has special needs for purposes of the adoption credit.
Current Law: Under current law, state governments are able to determine whether a child has "special needs" for purposes of the adoption tax credit. A child is considered to be special needs if they are difficult to place in a home (i.e. are older, have a disability or health condition, or are part of a sibling group). When a child is deemed special needs by a state government, the adoptive family becomes eligible for the full adoption tax credit.

Provision: This provision provides parity to Indian tribal governments, giving them the same ability as state governments to determine whether a child has special needs for the purposes of the adoption tax credit.

Sec. 110109. Tax credit for contributions of individuals to scholarship granting organizations.
Current Law: Not applicable.

Provision: This provision creates a new tax credit for individuals beginning in calendar year 2026 for charitable contributions to tax-exempt organizations that provide scholarships to elementary and secondary school students. Such students who benefit from the scholarships must be members of a household with incomes not greater 300 percent of the area median gross income and be eligible to enroll in a public elementary or secondary school. Under this provision, the tax credit program runs through calendar year 2029.

Sec. 110110. Additional elementary, secondary, and home school expenses treated as qualified higher education expenses for purposes of 529 accounts.
Current Law: Under current law, 529 savings plans are tax-advantaged accounts designed to fund education expenses, with federal law allowing tax-free withdrawals for the following qualified expenses: tuition (including up to $10,000 annually for K-12 education), fees, books, supplies, equipment required for enrollment, room and board (for students enrolled at least half-time), computers, software, internet access, special needs services, and costs for registered apprenticeship programs.

Provision: This provision allows tax-exempt distributions from 529 savings plans to be used for additional educational expenses in connection with enrollment or attendance at an elementary, secondary, or home school, including:
- curriculum and curricular materials,
- books or other instructional materials,
- online educational materials,
- tutoring or educational classes outside the home,
- testing fees,
- fees for dual enrollment in an institution of higher education, and
- educational therapies for students with disabilities.

Sec. 110111. Certain postsecondary credentialing expenses treated as qualified higher education expenses for purposes of 529 accounts.
Current Law: Under current law, 529 savings plans are tax-advantaged accounts designed to fund education expenses, with federal law allowing tax-free withdrawals for the following qualified expenses: tuition (including up to $10,000 annually for K-12 education), fees, books, supplies, equipment required for enrollment, room and board (for students enrolled at least half-time), computers, software, internet access, special needs services, and costs for registered apprenticeship programs.

Provision: This provision allows tax-exempt distributions from 529 savings plans to be used for additional qualified higher education expenses, including “qualified postsecondary credentialing expenses” in connection with “recognized postsecondary credential programs” and “recognized postsecondary credentials”.

Sec. 110112. Reinstatement of partial deduction for charitable contributions of individuals who do not elect to itemize.
Current Law: Under current law, only taxpayers who itemize are able to deduct their charitable contributions.

Provision: This provision creates a temporary deduction for non-itemizing taxpayers up to $150 for single filers ($300 for married filing jointly) for charitable cash contributions for tax years 2025 through 2028. The charitable contribution must be made to a qualified charity and cannot be made to Donor-Advised Funds or supporting organizations.

Sec. 110113. Exclusion for certain employer payments of student loans under educational assistance programs made permanent and adjusted for inflation.
Current Law: Under current law, the first $5,250 of employer-provided educational assistance is excluded from an employee’s gross income. Employer-provided education assistance includes the payment, by an employer, of an employee’s educational expenses (including, but not limited to, tuition, fees, and similar payments, books, supplies, and equipment). This also includes an employee’s qualified student loan payments in the case of payments made before January 1, 2026.

Provision: This provision makes permanent the exclusion from gross income for qualified education loan payments under IRC section 127(c)(1)(B). This section also indexes for inflation the maximum exclusion from gross income for educational assistance programs under IRC section 127(a)(2).

Sec. 110114. Extension of rules for treatment of certain disaster-related personal casualty losses.
Current Law: Under current law, taxpayers may claim disaster-related personal casualty losses, without having to itemize, for disasters occurring through February 10, 2025.

Provision: This provision extends this tax treatment of disaster-related personal casualty losses through the date of enactment.

Sec. 110115. MAGA accounts.
Current Law: Not applicable.

Provision: This provision creates Money Accounts for Growth and Advancement (the "MAGA accounts"), a new kind of savings account designed to incentivizing education, entrepreneurship, and homeownership while promoting financial security. The accounts are administered by a bank or similar financial institution and the overall program is overseen by the Department of Treasury.

Starting January 1, 2026, parents of any child under the age of eight years old may open a MAGA account for their child. These accounts allowable for children born before January 1, 2024, are eligible to receive contributions from parents, relatives, and other taxable entities as well as non-profit and government entities facilitated by the Treasury Department. To be eligible to open an account, the child must be a U.S. citizen and at least one parent must provide their SSN. The SSN provided must be considered work-eligible in order to open an account. MAGA account funds must be invested in a diversified fund that tracks an established index of U.S. equities.

Contributions
Taxable entities may contribute up to $5,000 annually of after-tax dollars to a MAGA account. The $5,000 contribution limit is indexed for inflation.

Contributions provided to MAGA accounts from tax exempt entities, such as private foundations, are not subject to the $5,000 annual limit. These contributions from unrelated third parties must be provided to all children within a qualified group (i.e. all children in a state, specific school district or educational institution, etc.). No additional contributions of any kind shall be made to MAGA accounts after the beneficiary has attained age 18.

Distributions
MAGA account holders may not take distributions until age 18. Account holders may access up to 50 percent of funds for higher education, training programs, small business loans, or first-time home purchases. At age 25, accountholders may withdraw any amount up to the full balance of the account for these limited purposes. At age 30, account holders have access to the full balance of the account for any purpose.

Distributions taken for qualified purposes are taxed as long-term capital gains, while distributions for any other purposes are taxed as ordinary income.

Sec. 110116. MAGA accounts contribution pilot program.
Current: Not applicable.

Provision: This provision builds off of the previous section and creates a newborn pilot program for MAGA accounts.

For U.S. citizens born between January 1, 2024, and December 31, 2028, the federal government will contribute $1,000 per child into every eligible account. For newborns, MAGA accounts may be opened by parents or guardians. To be eligible to open an account and receive the $1,000 contributions, the child must be a U.S. citizen and both parents must provide their Social Security numbers (SSNs). The SSNs provided must be considered work-eligible in order to claim the credit.

If the Secretary of Treasury determines that an eligible individual does not have an account opened for them by the first tax return where the child is claimed as a qualifying child, the Secretary shall establish an account on the child's behalf, taking into account, to the extent possible, the parents preferred custodian and investment fund. Parents will be provided the option to opt out of the account.

Part 3 – Investing in Health of American Families and Workers

Sec. 110201. Treatment of health reimbursement arrangements integrated with individual market coverage.
<u>Current Law:</u> Under current law, employees with a health reimbursement arrangement (HRA) offered by their employer can use this tax-advantaged arrangement on certain medical expenses. Final regulations from 2019 expanded the use of HRAs, allowing employers to offer "Individual Coverage HRAs" which, in addition to existing medical expenses, can also now be used to purchase qualified health insurance on the individual market without violating group health plan requirements.

<u>Provision:</u> This provision codifies the final 2019 regulations permitting Individual Coverage HRAs and renames the policy as Custom Health Option and Individual Care Expense (CHOICE) arrangements.

Sec. 110202. Participants in CHOICE arrangement eligible for purchase of Exchange insurance under cafeteria plan.
<u>Current Law:</u> Generally, employers cannot reimburse employees for health plan premiums purchased through an Exchange if any of the premium could be paid through salary reduction. This rule makes it impossible for employers to offer an Individual Coverage HRA while also allowing the same employees to use a cafeteria arrangement to pay for the balance of the plan's premium.

Provision: This provision permits employees enrolled in a CHOICE arrangement to use a salary reduction to pay for health plan premiums purchased through an Exchange.

Sec. 110203. Employer credit for CHOICE arrangement.
Current Law: Not applicable.

Provision: This provision creates a two-year tax credit for small businesses with fewer than 50 employees offering coverage through CHOICE arrangements for the first time. The general business credit amount is $100 per employee, per month in the first year and $50 per employee, per month in the second year.

Sec. 110204. Individuals entitled to Part A of Medicare by reason of age allowed to contribute to health savings accounts.
Current Law: Individuals entitled to Medicare Part A are ineligible to contribute to a health savings account (HSA) even if they are still enrolled in a private high-deductible health plan (HDHP).

Provision: This provision allows working seniors who are eligible for Medicare Part A, but enrolled in an HDHP, to continue contributing to an HSA. The current guardrails that apply to individuals that are under 65 and are contributing to HSAs would continue to apply to this population, including a penalty on non-qualified medical expenses purchases.

Sec. 110205. Treatment of direct primary care service arrangements.
Current Law: The Internal Revenue Service (IRS) has indicated it views certain direct primary care (DPC) arrangements as a separate and additional form of health insurance coverage, therefore incompatible with HSAs which can only be offered alongside an HDHP.

Provision: This provision allows individuals with HDHPs to also enroll in DPC arrangements (and maintain their HSA) and allows HSA funds to be used to pay for DPC services. HSA distributions for DPC services cannot exceed $150 per month for individuals or $300 per month for family arrangements, adjusted annually for inflation.

Sec. 110206. Allowance of bronze and catastrophic plans in connection with health savings accounts.
Current Law: Under current law, some bronze and all catastrophic health insurance plans have maximum out-of-pocket costs that exceed IRS-defined limits for HDHPs disqualifying HSA compatibility.

Provision: This provision allows all bronze and catastrophic health insurance plans on the Exchange to be eligible plans for the purpose of making HSA contributions.

Sec. 110207. On-site employee clinics.
Current Law: Current law does not allow individuals to contribute to an HSA if they utilize certain discounted health services at a health clinic at their worksite because the IRS views such services as a significant medical benefit, therefore incompatible with HSAs.

Provision: This provision allows individuals who utilize discounted health care services at a health clinic at their worksite to contribute to an HSA.

Sec. 110208. Certain amounts paid for physical activity, fitness, and exercise treated as amounts paid for medical care.
Current Law: Sports and fitness expenses, such as fitness facility membership fees, are not treated as HSA qualified medical expenses.

Provision: This provision allows individuals to use their HSA for physical fitness memberships and instructional physical activity up to $500 per year for an individual and $1,000 per year for a family with up to one-twelfth of such expenses allowed per month.

Sec. 110209. Allow both spouses to make catch-up contributions to the same health savings account.
Current Law: Under current law, if both spouses are HSA-eligible and age 55 or older, they must open separate HSA accounts to make their respective "catch-up" contributions (an extra $1,000 annually).

Provision: This provision would allow both spouses to deposit their catch-up contributions into one account.

Sec. 110210. FSA and HRA terminations or conversions to fund HSAs.
Current Law: Under current law, individuals cannot transfer flexible spending arrangement (FSA) or health reimbursement arrangement (HRA) balances into an HSA.

Provision: This section allows employees, at the employer's discretion, to convert FSA and HRA balances into an HSA contribution upon enrolling in an HDHP-HSA. The conversion amount is capped at the annual FSA contribution limit ($3,300 in 2025).

Sec. 110211. Special rule for certain medical expenses incurred before establishment of health savings account.
Current Law: Under current law, HSA funds can only be used for the purchase of a qualified medical expense (QME) after the HSA is established.

Provision: This provision would allow medical services incurred within 60 days before the establishment of an account to be eligible QMEs.

Sec. 110212. Contributions permitted if spouse has health flexible spending arrangement.
Current Law: Under current law, individuals are not eligible for an HSA if their spouse is enrolled in a flexible spending arrangement (FSA).

Provision: This provision would allow individuals to be eligible for an HSA even if the individual's spouse is enrolled in an FSA.

Sec. 110213. Increase in health savings account contribution limitation for certain individuals.
Current Law: Under current law, statutory HSA contribution limits are indexed every year for inflation. In 2025, annual HSA contribution limits are $4,300 for self-only coverage and $8,550 for family coverage.

Provision: This provision allows individuals who make less than $75,000 annually (or $150,000 in the case of families) to contribute an additional $4,300 (or $8,550 in the case of families) each year to their HSA, indexed for inflation. Such additional amounts are phased out for individuals making $100,000 annually (or $200,000 for families).

Sec. 110214. Regulations.
Current Law: Not applicable.

Provision: This provision allows the Secretaries of the Treasury and Health and Human Services to prescribe rules and guidance as appropriate to enact the policies in this Part.

Subtitle B – Make Rural America and Main Street Grow Again

Part 1 – Extension of Tax Cuts and Jobs Act Reforms for Rural America and Main Street

Sec. 111001. Extension of special depreciation allowance for certain property.
Current Law: Under current law, taxpayers are generally required to deduct the cost of property used in a trade or business over a period of time. However, in the case of certain "qualified property" (including most equipment and machinery), a taxpayer is permitted to deduct a percentage of the cost in the first year that the property is placed in service ("immediate expensing"). For qualified property placed in service in 2025, a taxpayer is generally permitted to immediately expense 40 percent of the cost. For qualified property placed in service in 2026, a taxpayer is generally permitted to immediately expense 20 percent of the cost.

Provision: This provision permanently allows taxpayers to immediately expense 100 percent of the cost of qualified property acquired on or after January 20, 2025.

Sec. 111002. Deduction of domestic research and experimental expenditures.
Current Law: Under current law, taxpayers are required to deduct research or experimental expenditures over a five-year period. Research or experimental expenditures that are attributable to research conducted outside the U.S. are required to be deducted over a 15-year period.

Provision: This provision permanently allows taxpayers to immediately deduct domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2024.

Additionally, small business taxpayers with average annual gross receipts of $31 million or less will generally be permitted to apply this change retroactively to taxable years beginning after December 31, 2021. Furthermore, all taxpayers that made domestic research or experimental expenditures after December 31, 2021, and before January 1, 2025, will be permitted to elect to accelerate the remaining deductions for such expenditures over a one-year period or a two-year period.

This provision includes rules to coordinate the immediate deductibility of domestic research or experimental expenditures with the research credit, rules clarifying the treatment of foreign research or experimental expenditures, and other coordinating changes.

Sec. 111003. Modified calculation of adjusted taxable income for purposes of business interest deduction.

Current Law: Under current law, the deduction for business interest expense for a taxable year is generally limited to the sum of (1) the taxpayer's business interest income for the taxable year, (2) 30 percent of the taxpayer's "adjusted taxable income" for the taxable year, and (3) the taxpayer's "floor plan financing interest" for the taxable year. "Adjusted taxable income" corresponds with the financial accounting concept of earnings before interest and taxes (EBIT).

"Floor plan financing interest" refers to interest paid or accrued on indebtedness used to finance the acquisition of motor vehicles held for sale or lease to retail customers and secured by the inventory so acquired. A "motor vehicle" means a motor vehicle that is: (1) any self-propelled vehicle designed for transporting person or property on a public street, highway, or road; (2) a boat; or (3) farm machinery or equipment.

Provision: This provision permanently increases the cap on the deductibility of business interest expense for taxable years beginning after December 31, 2024. Specifically, it provides that "adjusted taxable income" is computed without taking into account deductions for depreciation, amortization, or depletion. As a result, "adjusted taxable income" corresponds with the financial accounting concept of earnings before interest, taxes, depreciation, and amortization (EBITDA).

This provision also permanently modifies the definition of "motor vehicle" to include certain trailers and campers designed to be towed by or affixed to a motor vehicle. This change allows interest on floor plan financing for such trailers and campers to be deducted.

Sec. 111004. Extension of deduction for foreign-derived intangible income and global intangible low-taxed income.
Current Law: Under current law, a U.S. corporation is allowed a deduction of 37.5 percent for its foreign-derived intangible income and a 50 percent deduction for its inclusions with respect to global intangible low-taxed income. These deductions will be reduced to 21.875 percent and 37.5 percent, respectively, for taxable years beginning after December 31, 2025.

Provision: This provision permanently increases the deduction amount for foreign-derived intangible income from 21.875 percent to 37.5 percent and increases the deduction for global intangible low-taxed income from 37.5 percent to 50 percent for taxable years beginning after December 31, 2025.

Sec. 111005. Extension of base erosion minimum tax amount.
Current Law: Under current law, the base erosion anti-abuse tax imposes a 10 percent minimum tax on corporations with annual gross receipts in excess of $500 million and base erosion payments above a certain threshold. For taxable years beginning after December 31, 2025, the 10 percent rate will increase to 12.5 percent and credits computing the tax will no longer be allowed.

Provision: This provision permanently reduces the rate from 12.5 percent to 10 percent beginning January 1, 2026. The provision also permanently retains the current treatment of tax credits for taxable years beginning after December 31, 2025.

Part 2 – Additional Tax Relief for Rural America and Main Street

Sec. 111101. Special depreciation allowance for qualified production property.
Current Law: Under current law, taxpayers are generally required to deduct the cost of nonresidential real property over a 39-year period.

Provision: This provision allows taxpayers to immediately deduct 100 percent of the cost of certain new factories, certain improvements to existing factories, and certain other structures.

Specifically, this provision allows taxpayers to deduct 100 percent of the adjusted basis of qualified production property in the year such property is placed in service. "Qualified production property" is defined as the portion of any nonresidential real property that meets the following requirements (among others):

1. The property must be used by the taxpayer as an integral part of a qualified production activity;
2. The property must be placed in service in the U.S. or a U.S. territory;
3. The original use of the property must begin with the taxpayer;
4. The construction of the property must begin after December 31, 2024, and before January 1, 2030;

5. The property must be placed in service before January 1, 2034; and
6. The taxpayer must have elected to claim an immediate deduction with respect to such portion of the property.

A “qualified production activity” generally means the manufacturing, production, or refining of tangible personal property. An activity generally does not count as a qualified production activity unless it results in a substantial transformation of the property comprising a product. The term “production” is limited to agricultural production and chemical production.

Some of the requirements described above are relaxed in the case of a taxpayer that acquires a property that was not used for productive activities during the period between January 1, 2021, and May 12, 2025. This special rule could apply, for instance, to a taxpayer that acquires and rehabilitates a factory that was abandoned in 2020.

Any portion of a property that is used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities, or certain other functions is ineligible for this benefit.

Recapture rules apply in certain cases where, during the 10-year period after qualified production property is placed in service, the use of the property changes.

Sec. 111102. Renewal and enhancement of opportunity zones.
<u>Current Law:</u> Under current law, opportunity zones (OZs) exist as a temporary policy that have been used as an economic development tool to revitalize distressed communities across the country. Created in the *Tax Cuts and Jobs Act*, OZs are census tracts that meet the definition of “low-income community” and that were nominated by state governors and certified by the U.S. Department of Treasury as eligible areas for qualified investments to be made in exchange for certain tax benefits. The program was created as temporary policy, existing over a 10-year window as an initial “round” of OZ development.

Definitions
<u>Low-Income Community (LIC):</u> A census tract that has a poverty rate of at least 20 percent or a median family income that does not exceed 80 percent of the area median income.

<u>Qualified Opportunity Fund (QOF):</u> An investment vehicle with the specific purpose of investing in OZs. All qualifying investments must be made through QOFs in order to be eligible for the tax benefits.

Designation
In each state, governors were able to nominate up to 25 percent of eligible tracts as OZs. If a state had less than 100 eligible tracts, then up to 25 eligible tracts were allowed to be

designated. Additionally, under certain circumstances, a contiguous tract that is not a LIC was able to be designated along with the LIC that was designated as an OZ.

Tax Benefits
The OZ program operates over a 10-year window and provides investors with three tax benefits for investing their unrealized capital gains into eligible distressed communities:

1. A temporary deferral on taxes for capital gains rolled over from a non-OZ investment into a QOF to be invested into an OZ. The taxes are not realized until 2026 or when the asset is sold/disposed of, whichever comes first.
2. A step-up in basis on their previously earned capital gains that were invested in a QOF. Investments held for five years receive a 10 percent step-up in basis and investments held for seven years receive an additional five percent step-up in basis (for a total 15 percent).
3. For investments held for at least 10 years, taxpayers receive a permanent exclusion of taxable income on the gains resulting from the original investment.

The initial OZ round is set to expire after December 31, 2026.

Provision: This provision creates a second round of OZs, making adjustments and improvements to the previous policy. Specifically, the definition of "low-income community" is narrowed to census tracts that have a poverty rate of at least 20 percent or a median family income that does not exceed 70 percent of the area median income. Additionally, a guardrail is added to ensure that the term "low-income community" does not include any census tract where the median family income is 125 percent or greater of the area median family income.

This provision maintains the OZ designation process from the *Tax Cuts and Jobs Act* and adds that at least 33 percent of designated OZs must be comprised entirely of a rural area. In the case that there are fewer than 33 percent of rural qualified OZs, all eligible rural areas must be designated. A rural area is defined in the *Consolidated Farm and Rural Development Act*. Additionally, this provision makes contiguous tracts ineligible for OZ designation.

Furthermore, this provision simplifies the investment incentives and creates "rural qualified opportunity funds" (RQOFs). Investments made in a QOF receive a single step-up in basis of 10 percent when held for at least five years. In rural areas, investments must be made into a RQOF and will receive a 30 percent step-up in basis when held for at least five years. Additionally, taxpayers may choose to invest up to $10,000 of post-tax ordinary income into a QOF or RQOF, and a special rule is created that lowers the "substantial improvement" threshold of existing structures from 100 percent to 50 percent in rural areas.

Lastly, this provision adds reporting requirements for the OZ program.

This second round of OZs will begin on January 1, 2027, and end on December 31, 2033.

Sec. 111103. Increased dollar limitations for expensing of certain depreciable business assets.
Current Law: Under current law (IRC section 179) a taxpayer may elect to expense the cost of qualifying property, rather than to recover such costs through tax depreciation deductions, subject to limitation. Under current law, the maximum amount a taxpayer may expense is $1 million of the cost of qualifying property placed in service for the taxable year. The $1 million amount is reduced by the amount by which the cost of such property placed in service during the taxable year exceeds $2.5 million. The $1 million and $2.5 million amounts are adjusted for inflation for taxable years beginning after 2018, and are $1.25 million and $3.13 million in 2025, respectively. In general, qualifying property is defined as depreciable tangible personal property, off-the-shelf computer software, and qualified real property that is purchased for use in the active conduct of a trade or business.

Provision: This provision increases the maximum amount a taxpayer may expense under IRC section 179 to $2.5 million, reduced by the amount by which the cost of qualifying property exceeds $4 million. The $2.5 million and $4 million amounts are adjusted for inflation for taxable years beginning after 2025. The proposal applies to property placed in service in taxable years beginning after December 31, 2024.

Sec. 111104. Repeal of revision to de minimis rules for third party network transactions.
Current Law: Under current law, third-party settlement organizations issue Form 1099-K to participating payees receiving gross payments exceeding $600 for goods or services, regardless of the number of transactions. A third-party settlement organization is the central organization that has the contractual obligation to make payments to participating payees (generally, a merchant or business) in a third-party payment network. The change in reporting thresholds was supposed to take effect following the *American Rescue Plan of 2021* (ARPA). However, due to delays in implementation, for the 2024 tax year, third-party settlement organizations must issue a Form 1099-K for payees receiving gross payments exceeding $5,000 for goods or services, regardless of the number of transactions. This threshold decreases to $2,500 for 2025 and is set to drop to $600 for 2026 and beyond, as originally mandated by ARPA, though the IRS has repeatedly delayed full implementation.

Provision: This provision modifies requirements for third-party settlement organizations to eliminate their reporting requirement with respect to the transactions of their participating payees unless they have earned more than $20,000 on more than 200 separate transactions in an applicable tax period. This reverses the ARPA provision that lowered the reporting threshold to $600 with no minimum on the number of transactions.

Sec. 111105. Increase in threshold for requiring information reporting with respect to certain payees.
Current Law: Under current law, the reporting threshold for payments by a business for services performed by an independent contractor or subcontractor and for certain other payments is generally $600. In some cases, the reporting threshold is based on payments made during the taxable year.

Provision: This provision generally increases the threshold to $2,000 and adjusts it for inflation for taxable year beginning after December 31, 2024. The new threshold is based on payments during the calendar year. This provision applies to payments made after December 31, 2024.

Sec. 111106. Repeal of excise tax on indoor tanning services.
Current Law: Under current law, there is a 10 percent excise tax on amounts paid for indoor tanning services. Indoor tanning services include any services employing any electronic product designed to incorporate one or more ultraviolet lamps, intended for irradiation of an individual by ultraviolet radiation (wavelengths between 200 and 400 nanometers) to induce skin tanning.

Provision: This provision repeals the excise tax on indoor tanning services effective on the date of enactment.

Sec. 111107. Exclusion of interest on loans secured by rural or agricultural real property.
Current Law: Not applicable.

Provision: This provision allows for a partial exclusion of interest on certain loans secured by rural or agricultural real estate. Specifically, it allows for the exclusion of 25 percent of interest received by a qualified lender on any qualified real estate loan.

A "qualified lender" means (1) any bank or savings association the deposits of which are insured under the *Federal Deposit Insurance Act*, (2) any state- or federally-regulated insurance company, (3) certain U.S. bank subsidiaries, (4) certain U.S. insurance subsidiaries, and (5) with respect to certain loans, any federally chartered instrumentality of the U.S. established under Section 8.1(a) of the *Farm Credit Act of 1971*.

A "qualified real estate loan" means any loan that meets the following requirements: (1) the loan is secured by rural or agricultural real estate, or by a leasehold mortgage (with a status as a lien) on rural or agricultural real estate, (2) the loan is not made to certain foreign entities of concern, and (3) the loan is made after the date of enactment and before January 1, 2029.

"Rural or agricultural real estate" means (1) any real property which is substantially used for the production of one or more agricultural products, (2) any real property which is substantially used in the trade or business of fishing or seafood processing, or (3) certain aquaculture facilities. This term does not include any property not located in the U.S. or a U.S. territory.

Sec. 111108. Treatment of certain qualified sound recording productions.
Current Law: Under current law, under IRC section 168(k), taxpayers are generally permitted to expense a percentage of qualified property in the taxable year that the property is placed in service. Additionally, under IRC section 181, taxpayers are permitted to expense the certain costs of film, television, and live theatrical productions in the taxable year such costs are incurred, in the case of productions commencing before January 1, 2026.

Provision: This provision will increase taxpayers' ability to expense certain costs of producing sound recordings. Specifically, it would make qualified sound recording productions placed in service before January 1, 2029, eligible for expensing under IRC section 168(k). It would also allow taxpayers to expense up to $150,000 (per taxable year) of costs of qualified sound recording productions under IRC section 181. A "qualified sound recording production" is a sound recording produced and recorded in the U.S.

Sec. 111109. Modifications to low-income housing credit.

Current Law: Under current law, to receive the Low-Income Housing Tax Credit (LIHTC), a building must either receive a credit allocation from the state housing finance authority or be bond-financed. For the credit, Congress sets the per capita allocation amount on a yearly basis. For 2023, each state received a $2.75 per capita allocation. For projects that are bond-financed, at least 50 percent of the aggregate basis of the building and land must be financed with bonds that are subject to a state's private activity bond volume cap. Additionally, projects can receive a basis boost if they are in "Difficult Development Areas" (DDAs). Generally, DDAs are areas with poverty rates of 25 percent or more or where 50 percent of households have incomes below 60 percent of the area median income.

Provision: This provision makes three changes to the LIHTC program. First, for calendar years 2026 through 2029, the "9% LIHTC" is restored to its 2021 level with a 12.5 percent allocation increase. Second, for the "4% LIHTC", this provision lowers the bond-financing threshold to 25 percent for projects financed by bonds with an issue date before 2030. Last, this provision designates Indian and rural areas as DDAs.

Sec. 111110. Increased gross receipts threshold for small manufacturing businesses.

Current Law: Under current law, in general, taxpayers with average annual gross receipts below $25 million (over the prior three taxable years) are permitted to use the cash method of accounting, are exempt from the cap on business interest deductibility, are exempt from the requirement to account for inventories, and are exempt from certain capitalization rules. The $25 million threshold is indexed for inflation and, in 2025, is $31 million.

Provision: This provision increases the gross receipts threshold described above for manufacturing taxpayers from $25 million to $80 million. This change applies to taxable years beginning after December 31, 2025. The $80 million threshold is indexed for inflation and, in 2026, will be approximately $100 million.

To qualify as a "manufacturing taxpayer" a business generally must derive substantially all of its gross receipts (over the prior three taxable years) from the lease, rental, license, sale, exchange, or other disposition of tangible personal property produced or manufactured by the business.

Sec. 111111. Global intangible low-taxed income determined without regard to certain income derived from services performed in the Virgin Islands.
Current Law: The global intangible low tax income of U.S. shareholders is included in the income of U.S. persons in the years it is earned. That is the income in excess of a 10 percent deemed income return on qualified businesses assets. Corporations are then allowed a 50 percent "GILTI" deduction so that active income earned offshore is subject to a minimum rate of tax between 10.5 percent and 13.125 percent. A corporation that is organized in a territory is generally treated as a foreign corporation for federal tax purposes.

Provision: This provision would exempt certain income earned in the U.S. Virgin Islands from being considered tested income for the purposes of certain individuals GILTI calculations.

Sec. 111112. Extension and modification of clean fuel production credit.
Current Law: Under current law, taxpayers may claim a credit for the production of transportation fuel, including aviation fuel, to the extent it meets certain greenhouse gas emission standards. The value of the credit is an applicable amount per gallon multiplied by an emissions factor. The applicable amounts are $0.20 per gallon for transportation fuel that is not sustainable aviation fuel (nonaviation fuel) and $0.35 per gallon for sustainable aviation fuel, multiplied by five if the taxpayer meets prevailing wage and apprenticeship requirements or exceptions. This credit applies for fuel sold before January 1, 2028.

Provision: This provision makes certain modifications to the clean fuel production credit. The provision requires the credit is only available to fuel produced from feedstocks produced or grown in the U.S. The provision excludes indirect land use changes for the purposes of lifecycle greenhouse gas emissions. This provision extends the credit through December 31, 2031. It requires the Secretary of the Treasury to establish distinct emission rates for specific manure feedstocks. The provision eliminates transferability for fuel produced after December 31, 2027.The provision eliminates transferability for fuel produced after December 31, 2027.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:
1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
2. No credit is allowed for taxable years that begin two years after enactment for a foreign-influenced entity

Part 3 – Investing in the Health of Rural America and Main Street

Sec. 111201. Expanding the definition of rural emergency hospital under the Medicare program.
Current Law: Under current law, only certain hospitals that were enrolled in Medicare as of December 27, 2020, are eligible to convert to the Rural Emergency Hospital (REH) designation.

Provision: This provision establishes a "look-back" from January 1, 2014, to December 26, 2020, such that qualifying rural hospitals open during that time, but have since closed, may reopen under the REH designation. Such hospitals that are located less than 35 miles from the nearest hospital, Critical Access Hospital (CAH), or REH are not eligible for the five percent increase on outpatient payments. Such facilities that are located less than 10 miles from the nearest hospital, CAH, or REH are not eligible for the REH facility fee.

Subtitle C – Make America Win Again

Part 1 – Working Families Over Elites

Sec. 112001. Termination of previously-owned clean vehicle credit.
Current Law: Under current law, taxpayers may claim a tax credit for previously-owned clean vehicles. The credit is worth the lesser of $4,000 or 30 percent of the sale price and is limited to incomes of $75,000 for single filers, $112,500 for head of household filers, and $150,000 for joint filers. The credit is set to expire December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112002. Termination of clean vehicle credit.
Current Law: Under current law, taxpayers may claim a tax credit of up to $7,500 for clean new vehicles placed in service in a given taxable year. The maximum credit is comprised of two equal parts: the first $3,750 credit value is determined based on the critical mineral sourcing of the vehicle's battery and the second $3,750 credit value is determined based on the sourcing of the battery components. The credit is limited to incomes of $150,000 for single filers, $225,000 for head of household filers, and $300,000 for joint filers. The credit is available to vans with a Manufacturer's Suggested Retail Price (MSRP) of $80,000, SUVs with a MSRP of $80,000, pickup trucks with a MSRP of $80,000, and other vehicles with a MSRP of $55,000. The credit is set to expire December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025. This provision also implements a special rule for taxable year 2026 that only allows vehicles produced by manufacturers that have not sold 200,000 new clean vehicles as of December 31, 2025, to qualify for the credit.

Sec. 112003. Termination of qualified commercial clean vehicles credit.
Current Law: Under current law, taxpayers may claim a tax credit for commercial clean vehicles placed in service in a taxable year. For vehicles weighing less than 14,000 pounds the credit value is $7,500 and for other vehicles the credit value is $40,000. The credit is set to expire December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025. This provision also implements a special rule allowing vehicles acquired pursuant to a written binding contract entered into before May 12, 2025 to qualify for the credit.

Sec. 112004. Termination of alternative fuel vehicle refueling property credit.
Current Law: Under current law, taxpayers may claim a tax credit for advanced refueling property placed in service in a given taxable year. The credit value is 30 percent of the cost of the property not exceeding $100,000. The credit expires December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112005. Termination of energy efficient home improvement credit.
Current Law: Under current law, taxpayers may claim a tax credit for household energy efficient improvements. The value of the credit is 30 percent of qualified energy efficient improvements, residential energy property, or home energy audits not exceeding $1,200 annually ($2,000 if for heat pumps and biomass stoves). The credit expires December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112006. Termination of residential clean energy credit.
Current Law: Under current law, taxpayers may claim a credit for residential expenditures for solar electric property, solar water heating property, fuel cell property, small wind energy property, geothermal heat pump property, and battery storage property. The value of the credit is 30 percent of the expenditures through December 31, 2032, 26 percent of expenditures in taxable year 2033, and 22 percent expenditures in taxable year 2034.

Provision: This provision accelerates the expiration to December 31, 2025.

Sec. 112007. Termination of new energy efficient home credit.
Current Law: Under current law, contractors may claim a credit for homes built that meet certain Energy Star standards. Homes that are considered Zero Energy Ready are eligible for a $5,000 credit and homes certified at a lower energy efficient level are eligible for a credit of either $2,500 or $1,000. The credit expires December 31, 2032.

Provision: This provision accelerates the expiration to December 31, 2025. This provision includes a special rule allowing homes that have commenced construction before May 12, 2025 to qualify for the credit if they are acquired by December 31, 2026.

Sec. 112008. Phase-out and restrictions on clean electricity production credit.
Current Law: Under current law, taxpayers may claim a credit for electricity produced and sold by a qualifying facility. For the purposes of this section, a “qualified facility” is one that is determined to have greenhouse gas emissions less than zero. The value of the credit is 0.3 cents per kilowatt-hour (kWh) generally or 1.5 cents per kWh if a taxpayer meets prevailing wage and apprenticeship requirements or exceptions in constructing, repairing, or altering the qualified facility. The credit applies for 10 years after a qualified facility is placed in service. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. This credit currently has no expiration.

Provision: This provision phases out the clean electricity production credit. There is a 20 percent credit reduction for facilities placed in service in calendar year 2029, a 40 percent reduction for facilities placed in service in calendar year 2030, a 60 percent reduction for facilities placed in service in calendar year 2031 and zero credit available after December 31, 2031. Transferability is repealed for facilities where construction begins two years after the date of enactment of this bill.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for a facility that commences construction a year after enactment of this bill that includes any material assistance from a prohibited foreign entity;
2. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity;
3. No credit is allowed for tax years that begin two years after the date of enactment for foreign influence entities or if the taxpayer makes fixed, determinable, annual, or periodic (FDAP) amount payments to a prohibited foreign entity that are more than five percent of total expenditures related to the credit generating activity or 15 percent in aggregate.

This provision also includes the definitions of several terms related to prohibited foreign entities:

Specified Foreign Entity: Foreign entities of concern as described in the *William M. (Mac) Thornberry National Defense Authorization Act of FY 2021*, Chinese Military companies operating in the U.S., any entity on a list required by the strategy to enforce prohibition on imported goods made through forced labor in the Xinjiang Uyghur autonomous region, an entity listed as ineligible for Department of Defense battery acquisition in the *National Defense Authorization Act of FY 2024*, or a foreign-controlled entity.

Foreign-Controlled Entity: The government of a covered nation (the Democratic People's Republic of North Korea; the People's Republic of China; the Russian Federation; and the Islamic Republic of Iran), a person who is a citizen, national or resident of a covered nation provided the person is not a U.S. citizen or lawful permanent resident, an entity or qualified business unit incorporated or organized under the laws of or having its principal place of business in a covered nation, or an entity controlled by any of the listed foreign controlled entities.

Foreign-Influenced Entity: An entity which during the taxable year—a specified foreign entity has the direct or indirect authority to appoint a covered officer, a single foreign entity owns at least 10 percent of such entity, one or more specified foreign entities own in the aggregate at least 25 percent of such entity, at least 25 percent of the debt of such entity is held in the aggregate by one or more specified foreign entities, the entity knowingly makes FDAP payments to a specified foreign entity an amount equal to 10 percent of the annual gross receipts of the entity for the previous taxable year, or makes aggregate FDAP payments to one or more specified foreign entities of at least 25 percent of the annual FDAP payments of the entity for such previous tax year.

<u>Material Assistance from a Prohibited Foreign Entity:</u> Any component, subcomponent, or critical mineral included in such property is extracted, processed, recycled, manufactured, or assembled but a prohibited foreign entity, or any design of such property was based on any copyright or patent held by a prohibited foreign entity or any know-how or trade secret provided by a prohibited foreign entity. Not including assembly parts or constituent materials that are not uniquely designed for the use in construction of a facility and not exclusively or predominantly produced by prohibited foreign entities.

Sec. 112009. Phase-out and restrictions on clean electricity investment credit.
<u>Current Law:</u> Under current law, there is a credit for qualified investment in an electricity facility or energy storage technology. For the purposes of this section, a "qualified facility" is one that is determined to have greenhouse gas emissions less than zero. The value of the credit generally is six percent of qualified investment increased to 30 percent if a taxpayer meets prevailing wage and apprenticeship requirements or exceptions. To the extent a taxpayer does not have the tax liability to absorb a credit the credits are eligible to be transferred to an unrelated taxpayer. This credit currently has no expiration.

<u>Provision:</u> This provision phases out the clean electricity investment credit. There is a 20 percent credit reduction for facilities placed in service in calendar year 2029, a 40 percent reduction for facilities placed in service in calendar year 2030, a 60 percent reduction for facilities placed in service in calendar year 2031, and zero credit available after December 31, 2031. Transferability is repealed for facilities which construction begins two years after the date of enactment of this bill. This provision restricts access to the credit for certain prohibited foreign entities.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for a facility that commences construction a year after enactment of this bill that includes any material assistance from a prohibited foreign entity;
2. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity;
3. No credit is allowed for tax years that begin two years after the date of enactment for foreign influence entities or if the taxpayer makes fixed, determinable, annual, or periodic (FDAP) amount payments to a prohibited foreign entity that are more than five percent of total expenditures related to the credit generating activity or 15 percent in aggregate.

Sec. 112010. Repeal of transferability of clean fuel production credit.
<u>Current Law:</u> To the extent a taxpayer does not have the tax liability to absorb a credit the clean fuel production credits are eligible to be transferred to an unrelated taxpayer.

<u>Provision:</u> The provision eliminates transferability for fuel produced after December 31, 2027.

Sec. 112011. Restrictions on carbon oxide sequestration credit.
Current Law: Under current law, taxpayers may claim a credit available per metric ton of qualified carbon oxide captured and disposed of or used by a taxpayer. In a given tax year beginning after December 31, 2016 and before January 1, 2027, the value of the credit is $17 per metric ton if the carbon oxide is utilized as a tertiary injectant and disposed of in secure geological storage, and $12 per metric ton if the taxpayer utilizes the carbon oxide by fixing it through photosynthesis or chemosynthesis, chemically converting it to securely store it, or for another purpose for which a commercial market exists and for the 12-year period after the equipment is placed in service.

For direct air capture facilities placed in service after December 31, 2022, the value is $36 per metric ton if the carbon oxide is utilized as a tertiary injectant and disposed of in secure geological storage, and $26 per metric ton if the taxpayer utilizes the carbon oxide by fixing it through photosynthesis or chemosynthesis, chemically converting it to securely store it, or for another purpose for which a commercial market exists. The credit amounts are indexed for inflation beginning after December 31, 2026. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. The credit currently applies to qualified facilities that commence construction before January 1, 2033.

Provision: This provision repeals transferability for carbon capture equipment where construction begins two years after the date of enactment of this bill.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

Sec. 112012. Phase-out and restrictions on zero-emission nuclear power production credit.
Current Law: Under current law, there is a credit available for electricity produced by existing nuclear power plans. The value of the credit is 0.3 cents per kilowatt-hour (kWh) generally or 1.5 cents per kWh if a taxpayer meets prevailing wage and apprenticeship requirements or exceptions in constructing, repairing, or altering the qualified facility. The credit gradually reduces as power prices rise above a $25 per megawatt hour (MWh) index. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. The credit expires December 31, 2032.

Provision: This provision phases out the zero-emission nuclear power production credit. There is a 20 percent credit reduction for electricity produced in calendar year 2029, a 40 percent reduction for electricity produced in calendar year 2030, a 60 percent reduction for electricity produced in calendar year 2031 and no credit available after December 31, 2031. The provision eliminates transferability for fuel produced after December 31, 2027.

This provision restricts access to the credit for certain prohibited foreign entities. Specifically:
1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

Sec. 112013. Termination of clean hydrogen production credit.
Current Law: Under current law, taxpayers may claim a credit per kilogram of qualified clean hydrogen produced for sale or use. The credit applies for the 10-year period from the date the facility is originally placed in service. The value of the credit is a percentage of $0.60, ranging from 20 percent to 100 percent depending on the greenhouse gas emissions rate of the production process. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. The credit is currently available for facilities that commence construction before January 1, 2033.

Provision: This provision accelerates the expiration to facilities the construction of which begins after December 31, 2025.

Sec. 112014. Phase-out and restrictions on advanced manufacturing production credit.
Current Law: Under current law, taxpayers may claim a credit for certain inverters, solar energy components, wind energy components, and battery components manufactured, and critical minerals produced. Credit amounts very by component and are listed in the code section. To the extent a taxpayer does not have the tax liability to absorb a credit, the credits are eligible to be transferred to an unrelated taxpayer. Currently for components sold during calendar year 2030 there is a 25 percent reduction to the credit, for components sold during calendar year 2031 a 50 percent reduction, for components sold during calendar year 2032 a 75 percent reduction, and no credit allowed after December 31, 2032, except for the credit for critical mineral production which is permanent.

Provision: This provision makes modifications to the advanced manufacturing tax credit and accelerates its termination. The provision eliminates wind energy components sold after December 31, 2027, and eliminates the credit for all other components after December 31, 2031. Transferability is repealed for components sold after December 31, 2027. This provision restricts access to the credit for certain prohibited foreign entities. Specifically:
1. No credit is allowed for “components manufactured” a year after enactment of this bill that includes any material assistance from a prohibited foreign entity;
2. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity;

3. No credit is allowed for tax years that begin two years after the date of enactment for foreign influence entities or if the taxpayer makes fixed, determinable, annual, or periodic (FDAP) amount payments to a prohibited foreign entity that are more than five percent of total expenditures related to the credit generating activity or 15 percent in aggregate; or
4. is produced subject to a licensing agreement with a prohibited foreign entity for which the value of such agreement is in excess of $1,000,000 beginning in tax years two years after the date of enactment of this bill.

Sec. 112015. Phase-out of credit for certain energy property.
Current Law: Under current law, most technologies that were previously eligible for the IRC section 48 energy tax credit terminated after December 31, 2024, but geothermal heat pumps that begin construction before January 1, 2035, are still eligible for the section 48 investment tax credit.

Provision: This provision aligns the expiration of the investment tax credit for geothermal heat pumps with the clean electricity investment tax credit. There is a 20 percent credit reduction for facilities placed in service in calendar year 2029, a 40 percent reduction for facilities placed in service in calendar year 2030, a 60 percent reduction for facilities placed in service in calendar year 2031 and no credit available after December 31, 2031.
This provision restricts access to the credit for certain prohibited foreign entities. Specifically:

1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

Sec. 112016. Income from hydrogen storage, carbon capture added to qualifying income of certain publicly traded partnerships treated as corporations.
Current Law: Under current law, publicly traded partnership rules allow certain enterprises to be treated as partnerships for tax purposes but also have interests that are regularly traded on established securities markets or are readily tradable on a secondary market. To qualify for this treatment 90 percent of gross income must come from qualifying income sources. One of those sources is the income and gains derived from exploration, development, mining, or production, processing, refining, transportation, or the marketing of any mineral or natural resources, industrial source carbon dioxide, or the transportation or storage of specified fuels.

Provision: This provision expands the activities that can be categorized as qualifying income to include the transportation or storage of liquified hydrogen or compressed hydrogen, and the generation of electricity or capture of carbon dioxide at a direct air capture or carbon capture facility.

Sec. 112017. Limitation on amortization of certain sports franchises.
Current Law: Under current law, when a taxpayer acquires intangible assets held in connection with a trade or business, the adjusted basis of an "amortizable section 197 intangible" can be amortized on a straight-line basis over 15 years. Such intangibles include goodwill, franchise value, employment contracts, and several other items.

Provision: This provision limits amortization deductions for certain sports-related intangibles. Specifically, under this provision, a taxpayer that acquires a specified sports franchise intangible would only be permitted under IRC section 197 to amortize 50 percent of the adjusted basis. A "specified sports franchise intangible" is any amortizable section 197 intangible which (1) is a franchise to engage in professional football, basketball, baseball, hockey, soccer, or other professional sport, or (2) is acquired in connection with such a franchise. This change would apply to property acquired after the date of enactment.

Sec. 112018. Limitation on individual deductions for certain State and local taxes, etc.
Current Law: Under current law, in the case of an individual, the itemized deduction for state and local taxes is capped at $10,000 ($5,000 for a married taxpayer filing a separate return) (the "SALT cap"). In general, income taxes paid or accrued in carrying on a trade or business or an income-producing activity are subject to the SALT cap. The SALT cap is set to expire for taxable years beginning after December 31, 2025.

Provision: This provision would increase the SALT cap to $30,000 ($15,000 for a married taxpayer filing a separate return). In the case of a taxpayer with modified adjusted gross income (MAGI) over $400,000 ($200,000 for a married taxpayer filing a separate return), the cap would phase down by 20 percent of the excess of MAGI over the threshold until it reaches $10,000 ($5,000 for a married taxpayer filing a separate return). This provision would extend the SALT cap permanently for taxable years beginning after December 31, 2025.

This provision also includes several changes to prevent the avoidance of the SALT cap. Generally, this provision clarifies and modifies the list of taxes subject to the SALT cap ("specified taxes"); provides that certain payments that substitute for specified taxes are also subject to the SALT cap; requires partnerships and S corporations to treat specified taxes as separately stated items; imposes an addition to tax in certain cases where a partnership makes a state or local tax payment, one or more partners receives a state or local tax benefit, and the allocation of the tax payment differs from the allocation of the tax benefit; prevents the capitalization of specified taxes; and grants the Secretary of the Treasury regulatory authority to prevent avoidance of the SALT cap.

Sec. 112019. Excessive employee renumeration from controlled group members and allocation of deduction.
Current Law: Under current law, publicly held corporations are denied a tax deduction for compensation paid to certain covered employees (typically the CEO, CFO, and the next three

highest-paid officers) exceeding $1 million per year. The *Tax Cuts and Jobs Act* expanded the scope by eliminating the performance-based compensation exception and including more entities, like certain publicly traded partnerships, as covered corporations. The limitation applies to taxable years beginning after December 31, 2017. ARPA expanded the definition of "covered employees" to include the five highest-compensated employees beyond the CEO, CFO, and three highest-paid officers, effective for tax years beginning after December 31, 2026. Unlike the original covered employees, these additional five are not subject to the "once covered, always covered" rule and are determined annually based on deductible compensation.

<u>Provision:</u> This provision applies aggregation rules for the purposes of the deduction limitation and allocation of deduction applied under IRC section 162(m) as it relates to certain excessive employee remuneration.

Sec. 112020. Expanding application of tax on excess compensation within tax-exempt organizations.

<u>Current Law:</u> Under current law, IRC section 4960 imposes an excise tax on excess compensation paid to certain highly compensated employees by applicable tax-exempt organizations. The excise tax rate is equal to the corporate tax rate multiplied by the sum of (1) any remuneration in excess of $1 million paid to a covered employee for a taxable year, and (2) any excess parachute payment paid to a covered employee.

<u>Provision:</u> This provision strikes the text following "means any employee (including any former employee) of an applicable tax-exempt organization" from the definition of "Covered Employee" under IRC section 4960(c)(2). As a result, a covered employee includes any employee of an applicable tax-exempt organization that receives remuneration in excess of $1 million.

Sec. 112021. Modification of excise tax on investment income of certain private colleges and universities.

<u>Current Law:</u> Under current law, IRC section 4968 imposes an excise tax on an applicable educational institution for each taxable year equal to 1.4 percent of the net investment income of the institution for the taxable year.

<u>Provision:</u> This provision amends the current excise tax on net investment income framework for certain private colleges and universities under IRC section 4968 with a tiered system based on an institution's student-adjusted endowment (see table below). For purposes of calculating an institution's student-adjusted endowment, this section amends such calculation by excluding students who do not meet the requirements under Section 484(a)(5) of the *Higher Education Act of 1965*. This section also provides an exemption from being considered an applicable educational institution, provided the institution meets certain requirements related to being a qualified religious institution. Additionally, this section includes student loan interest income and certain royalty income for the purposes of calculating a school's net investment income.

Student-Adjusted Endowment	Excise Tax Rate
$500,000 - $749,999	1.4% (current rate)
$750,000 - $1,249,999	7%
$1,250,000 - $1,999,999	14%
$2,000,000+	21%

Sec. 112022. Increase in rate of tax on net investment income of certain private foundations.
Current Law: Under current law, all private foundations that are exempt from taxation under IRC section 501(a) are subject to an excise tax equal to 1.39 percent of the net investment income of such foundation for the taxable year.

Provision: This provision amends the current excise tax on net investment income framework for tax-exempt private foundations under IRC section 4940(a) with a tiered system that maintains the current excise tax rate for private foundations with less than $50 million in total assets but applies higher excise tax rates on private foundations reporting $50 million or more in total assets (see table below).

Size of Private Foundation (in assets)	Excise Tax Rate
$0 - $49,999,999	1.39% (current rate)
$50,000,000 - $249,999,999	2.78%
$250,000,000 - $4,999,999,999	5%
$5,000,000,000+	10%

Sec. 112023. Certain purchases of employee-owned stock disregarded for purposes of foundation tax on excess business holdings.
Current Law: Under current law, the combined holdings of private foundations and all of its disqualified persons are limited to 20 percent of the voting stock in a business enterprise that is a corporation. Holdings in excess of the holding percentage are subject to a 10 percent excise tax, which is increased to 200 percent if the holdings are not reduced by the end of the taxable year.

Provision: This provision amends IRC section 4943 and states that shares of stock repurchased by a company from a retiring employee who participated in the company's Employee Stock Ownership Plan are treated as outstanding for purposes of calculating the share of that company owned by a private foundation.

Sec. 112024. Unrelated business taxable income increased by amount of certain fringe benefit expenses for which deduction is disallowed.
Current Law: Under current law, the amount paid or incurred for any qualified transportation fringe benefit is exempt from unrelated business taxable income.

Provision: This provision amends IRC section 512 to increase the unrelated business taxable income of a tax-exempt organization by including the amount paid or incurred for any qualified transportation fringe benefit.

Sec. 112025. Name and logo royalties treated as unrelated business taxable income.
Current Law: Under current law, the income from the sale or licensing by an organization of its name or logo is exempt from unrelated business taxable income.

Provision: This provision amends IRC sections 512 and 513 to increase the unrelated business taxable income of a tax-exempt organization by including the income from any sale or licensing by an organization of its name or logo.

Sec. 112026. Exclusion of research income limited to publicly available research.
Current Law: Under current law, *all* income from research performed by a nonprofit organization whose primary purpose is to carry on research that is freely available to the public, including income from private research, is exempt from unrelated business taxable income.

Provision: This provision amends IRC section 512 to increase the unrelated business taxable income of a tax-exempt organization by including the income generated from non-public research for an organization whose tax-exempt purpose is to provide publicly available research as unrelated business income.

Sec. 112027. Limitation on excess business losses of noncorporate taxpayers.
Current Law: Under current law, in the case of a noncorporate taxpayer, for taxable years beginning before January 1, 2029, no deduction is allowed for an excess business loss. An "excess business loss" is the amount by which the deductions (excluding net operating losses and qualified business income deductions) attributable to trades or businesses of the taxpayer exceed the income from such trades or businesses plus $313,000 for tax years beginning in 2025 ($626,000 for a taxpayer filing jointly with a spouse) and is adjusted for inflation. A disallowed excess business loss is generally treated as a net operating loss and may be carried over and used in another tax year.

Provision: This provision makes the limitation on excess business losses by noncorporate taxpayers permanent. The provision also provides that excess business losses disallowed in taxable years beginning after December 31, 2024, are taken into account in determining a taxpayer's excess business losses in subsequent taxable years.

Sec. 112028. 1-percent floor on deduction of charitable contributions made by corporations.
Current Law: Under current law, corporate taxpayers are generally allowed a deduction for charitable contributions up to a limitation equal to 10 percent of taxable income.

Provision: This provision establishes a floor equal to one percent of taxable income for the deductibility of corporate charitable contributions. In the case of a corporation with charitable contributions exceeding the 10 percent limit, the provision allows taxpayers to add the amount disallowed under the one percent floor to the amount carried over to the subsequent year.

Sec. 112029. Enforcement of remedies against unfair foreign taxes.
Current Law: Not applicable.

Provision: This provision provides a response to certain unfair taxes, which include both discriminatory and extraterritorial taxes imposed on U.S. persons (or certain foreign entities owned by U.S. persons) by a foreign government. The provision applies a delayed effective date to allow time for negotiations and provides discretion for the Secretary of the Treasury to expand or narrow the definition of unfair taxes. The provision requires the Secretary of the Treasury to provide a list unfair taxes to aid withholding agents, who are permitted to rely on the published list in determining appropriate withholding rates and are granted relief from penalties and interest with respect to errors until January 1, 2027, if they demonstrate best efforts were made at compliance.

The provision responds to unfair taxes by increasing the rate of tax generally applicable to certain taxpayers connected to the foreign jurisdiction. Affected taxpayers generally include the foreign government, resident individuals, resident corporations, resident foreign private foundations, and entities owned by such persons. The increases apply to certain income, withholding, and excise taxes imposed on non-residents. The rate of tax-imposed increases from the rates otherwise applicable under current law in five percent increments for each year the unfair tax is imposed, until either the unfair tax is removed or the tax reaches a maximum amount equal to the relevant statutory rate plus 20 percent.

The provision also applies to certain domestic entities that are owned by a tax resident of a foreign jurisdiction that imposes an unfair tax. These domestic entities are subject to certain modifications to the base erosion anti-abuse tax (BEAT) that expands the scope of entities subject to the minimum tax, increases the applicable rate, reduces the benefits of certain credits, and expands the taxable base to include certain payments that are currently excluded.

Sec. 112030. Reduction of excise tax on firearms silencers.
Current Law: Under current law, a "silencer" is defined as a "firearm" (under Section 921 of title 18, U.S. Code) for purposes of the *National Firearms Act* and is subject to a $200 transfer tax.

Provision: This provision eliminates the transfer tax on silencers.

Sec. 112031. Modifications to de minimis entry privilege for commercial shipments.
Current Law: Under current law, Section 321 of the *Tariff Act of 1930* generally allows shipments bound for American businesses and consumers valued under $800 to enter the U.S. free of duties and taxes.

Provision: This provision, effective July 1, 2027, repeals the de minimis privilege worldwide, which currently allows shipments under $800 to enter the U.S. duty-free. This section also increases penalties for violators of Section 321 of the *Tariff Act of 1930*.

Sec. 112032. Limitation on drawback of taxes paid with respect to substituted merchandise.
Current Law: Under current law, importers can claim a refund of excise taxes on imported tobacco products upon exportation of substitutable goods, even if excise tax was never paid on those substitute goods.

Provision: This provision limits the drawback of excise tax for tobacco products to scenarios in which excise tax has been paid on the exported goods that are used as the basis for the drawback claim.

Part 2 – Removing Taxpayer Benefits for Illegal Immigrants

Sec. 112101. Permitting premium tax credit only for certain individuals.
Current Law: Current law allows individuals who are "lawfully present" in the U.S. to receive premium tax credits to purchase health insurance on the Exchange. Lawful presence is defined through rulemaking to include most immigration statuses.

Provision: This provision would eliminate premium tax credit eligibility for illegal immigrants and only allow eligibility for Lawful Permanent Residents, certain Cuban immigrants, and individuals living in the United States through a Compact of Free Association.

Sec. 112102. Certain aliens treated as ineligible for premium tax credit.
Current Law: Current law allows individuals who are "lawfully present" in the U.S. to receive premium tax credits to purchase health insurance on the Exchange. Lawful presence is defined through rulemaking to include most immigration statuses.

Provision: This provision prohibits individuals with immigration status granted by asylum (or pending an asylum application), parole, temporary protected status, deferred enforced departure, and withholding of removal from receiving premium tax credits.

Sec. 112103. Disallowing premium tax credit during periods of Medicaid ineligibility due to alien status.
Current Law: Current law limits premium tax credit eligibility to an individual who reports income above 100 percent of the federal poverty level and who is an alien "lawfully present" in the U.S. An exception allows such aliens who report income below 100 percent of the federal poverty level and are in their five-year Medicaid waiting period (due to immigration status) to receive premium tax credits to purchase health insurance on the Exchange.

Provision: This provision strikes this loophole.

Sec. 112104. Limiting Medicare coverage of certain individuals.
Current Law: Under current law, individuals who are "lawfully present" in the U.S. and meet Medicare's standard eligibility requirements are generally allowed to enroll in Medicare.

Provision: This provision would eliminate Medicare eligibility for illegal immigrants and only allow eligibility for Lawful Permanent Residents, certain Cuban immigrants, and individuals living in the United States through a Compact of Free Association.

Sec. 112105. Excise tax on remittance transfers.
Current Law: Not applicable.

Provision: This provision imposes a five percent excise tax on remittance transfers which will be paid for by the sender with respect to such transfers. The provision requires that the tax be collected by the remittance transfer providers and the remittance transfer providers are responsible for remitting such tax quarterly to the Secretary of the Treasury. The provision also makes it clear that remittance transfer providers have secondary liability for any tax that is not paid at the time that the transfer is made. The provision also creates an exception for remittance transfers that are sent by verified U.S. citizens or U.S. nationals by way of qualified remittance transfer providers. "Qualified remittance transfer providers" are defined as remittance transfer providers that enter into a written agreement with the Secretary of the Treasury to verify the remittance transfer senders as U.S. citizens or U.S. nationals. The provision also provides a refundable tax credit for any excise taxes required to be paid by taxpayers with valid Social Security numbers. Lastly, the provision also has an anti-conduit rule.

Sec. 112106. Social Security number requirement for American opportunity and lifetime learning credits.
Current Law: Under current law, a student, taxpayer, or spouse must have a valid taxpayer identification number (TIN) issued or applied for on or before the due date of the return (including extensions) in order to claim the American Opportunity Tax Credit (AOTC) and/or Lifetime Learning Credit (LLC). A TIN is a Social Security number (SSN), an individual taxpayer identification number (ITIN), or an adoption taxpayer identification number (ATIN). The AOTC and/or LLC cannot be claimed if the TIN is issued after the due date of the return (including extensions).

Provision: This provision adds requirements for the student and taxpayer (if filing on behalf of the student) to include their SSN on their tax return in order to receive either the AOTC or LLC under IRC section 25A.

Part 3 – Preventing Fraud, Waste, and Abuse

Sec. 112201. Requiring Exchange verification of eligibility for health plan.
Current Law: Under current law, Exchanges take steps to verify applicants' eligibility for coverage and premium tax credits. However, in some circumstances applicants may be passively re-enrolled in coverage (and receive premium tax credits) without updating verification.

Provision: This provision prohibits an individual from claiming the premium tax credit if the individual's eligibility related to income, enrollment, and other requirements is not actively verified annually.

Sec. 112202. Disallowing premium tax credit in case of certain coverage enrolled in during special enrollment period.
Current Law: Under current law, the Centers for Medicare and Medicaid Services (CMS) has provided for a continuous special enrollment period available to individuals with a projected annual household income no greater than 150 percent of the federal poverty line.

Provision: This provision prohibits individuals from receiving premium tax credits if they enroll in health coverage on the Exchange through a special enrollment period associated with their income.

Sec. 112203. Eliminating limitation on recapture of advance payment of premium tax credit.
Current Law: Under current law, there is a limit on the amount of excess premium tax credit certain individuals must repay if they misestimate their projected income and benefit from a more generous advance payment of the tax credit than they qualified for.

Provision: This provision removes the repayment limits and requires affected individuals to reimburse the IRS for the full amount of excess tax credit received.

Sec. 112204. Implementing artificial intelligence tools for purposes of reducing and recouping improper payments under Medicare.
Current Law: Not applicable.

Provision: This provision provides $25 million for the Secretary of Health and Human Services to contract with artificial intelligence contractors and data scientists to examine Medicare improper payments and recoup overpayments. Additionally, the Secretary is required to report to Congress on progress on decreasing the number of Medicare improper payments.

Sec. 112205. Enforcement provisions with respect to COVID-related employee retention credits.
Current Law: Under current law, assessable penalties are imposed on promoters of tax shelters or abusive transactions. One such penalty is based on aiding and abetting the understatement of tax liability, if the person knows that an understatement of the tax liability of another person would result. Separately, paid tax return preparers are subject to a penalty of $500 for each failure to comply with due diligence requirements relating to the filing status and amount of certain credits with respect to a taxpayer's return or claim for refund.

Provision: This provision increases the penalty for aiding and abetting the understatement of a tax liability by a COVID employee retention tax credit (ERTC) promoter. The provision makes clear that the pre-enactment standard for applying the aiding and abetting penalty remains unchanged despite the targeted increase in the amount of the penalty that applies solely to ERTC promoters.

This section also requires a COVID-ERTC promoter to comply with due diligence requirements with respect to a taxpayer's eligibility for (or the amount of) an ERTC and applies a $1,000 penalty for each failure to comply. Under current law, taxpayers can claim COVID-related ERTC until April 15, 2025. This section bars the IRS from issuing any additional unpaid claims, unless a claim for such credit or refund was filed on or before January 31, 2024.

Sec. 112206. Earned income tax credit reforms.
Current Law: Under current law, a taxpayer can qualify for the earned income tax credit (EITC) if they (1) have earned income, (2) have a valid Social Security number (SSN), (3) be a U.S. citizen or resident alien all year, (4) not file Form 2555, (5) meet income and investment limits, and (6) file as single, head of household, qualifying surviving spouse, or married filing jointly. The IRS may audit an EITC claim or deny all or part of the credit if there are errors on a tax return. The most common error taxpayers claim is (1) that the child does not qualify, (2) more than one person claimed the child, (3) the SSN or last names do not match, (4) the taxpayer is married but filed as single head of household, and (5) over or underreporting income or expenses. Consequently, the IRS issues duplicative claims and the EITC has a high rate of improper payments.

Provision: This provision establishes a phased system for the IRS to detect and manage duplicate EITC claims. Beginning in 2024, if there is a duplicate claim, the IRS will send both claimants a notice stating that the child's SSN was used twice. The following year, the IRS will hold refunds until October 15 and use its math error authority to correct any duplicative claims by eliminating the claimed child and processing the remainder of the claims. Claimants can obtain a refund if they respond to the math error notice and provide evidence of eligibility. After the initial two years, this section provides for a pre-certification process that will reduce erroneous payments without delaying refunds.

This provision also creates a task force to provide the Secretary of Treasury a report on recommendations for improvement of the integrity of the administration of the EITC, the potential use of third-party payroll and consumption datasets to verify income, and the integration of automated databases to allow horizontal verification to reduce improper payments, fraud, and abuse.

Finally, this provision provides Purple Heart recipients whose Social Security disability insurance benefits were terminated due to returning to work with an additional EITC amount equivalent to one year of the lost disability insurance benefits.

Sec. 112207. Task force on the termination of Direct File.
Current Law: Under current law, the IRS may prepare and files tax returns online, for free, to qualifying taxpayers in 25 participating states (Direct File program). In addition, the IRS offers a

Free File program where a number of tax preparation and filing software industry companies provide their online tax preparation and filing for free.

Provision: This provision terminates the current Direct File program at the IRS and establishes a public-private partnership between the IRS and private sector tax preparation services to offer free tax filing, replacing both the existing Direct File and Free File programs.

Sec. 112208. Postponement of tax deadlines for hostages and individuals wrongfully detained abroad.

Current Law: Under current law, neither the provision on service in a combat zone nor the rules on disaster relief address persons who fail to meet a tax filing or payment deadline that arises while they are unlawfully or wrongfully detained abroad.

Provision: This provision directs the IRS to disregard the time during which an applicable individual is held hostage or wrongfully detained abroad for purposes of determining whether a taxpayer filed their return, paid income tax, filed a claim for a credit or refund of any tax, or committed other acts described in Section 7508(a)(1) within the required timeframe, and for purposes of determining the amount of interest or penalty owed, or amount of any credit or refund. Additionally, this section requires the Secretary of the Treasury to establish a program to allow any applicable individual to apply for a refund or abatement of any amount to the extent such amount was attributable to the time during which the taxpayer was held hostage or unlawfully detained abroad.

Sec. 112209. Termination of tax-exempt status of terrorist supporting organizations.

Current Law: Under current law, the IRS generally only issues a letter revoking recognition of an organization's tax-exempt status after (1) conducting an examination of the organization; (2) issuing a letter to the organization proposing revocation; and (3) allowing the organization to exhaust the administrative appeal rights that follow the issuance of the proposed revocation letter.

Provision: This provision grants the Secretary of the Treasury authority to suspend the tax-exempt status of any tax-exempt organization that, during the three years prior to designation, provided more than a minor amount of material support or resources to a listed terrorist organization. The provision allows suspensions to be lifted only when the supported terrorist organization is de-listed as a terrorist organization, but the Treasury Department's ability to suspend tax-exempt status is subject to a robust set of procedural and due process protections, including notice requirements and an opportunity to challenge the designation.

Sec. 112210. Increase in penalties for unauthorized disclosures of taxpayer information.

Current Law: Under current law, the maximum fine for unauthorized disclosure of taxpayer information is $5,000. The maximum term of imprisonment upon conviction of a Section 7213 violation is five years. Additionally, under current law, a willful unauthorized disclosure involving the returns or return information of multiple taxpayers is unclear.

Provision: This provision increases the specified maximum fine in IRC section 7513 to $250,000 and the maximum term of imprisonment to 10 years. This section also clarifies that a separate violation occurs with respect to each such taxpayer whose return or return information is disclosed, upon the willful unauthorized disclosure involving the returns or return information of multiple taxpayers.

Sec. 112211. Restriction on regulation of contingency fees with respect to tax returns, etc.
Current Law: Not applicable.

Provision: This provision restricts the Treasury Department from regulating, prohibiting, or restricting the use of contingency fees in connection with tax returns, refunds, or documentation with tax returns for refunds prepared on behalf of taxpayers.

Subtitle D – Increase in Debt Limit

Sec. 113001. Modification of limitation on the public debt.
Current Law: The current statutory debt limit was established on January 2, 2025, following a debt limit suspension period that ran through January 1, 2025.

Provision: This provision increases the statutory debt limit by $4 trillion.