

***In the Senate of the United States,***

*December 20 (legislative day, December 19), 2017.*

*Resolved,* That the report of the Committee of Conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 1) entitled “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018.”, fails on a point of order.

*Resolved,* That the Senate recede from its amendment to the above-titled bill with a further amendment as follows:

**SENATE AMENDMENT:**

Strike out all after the enacting clause and insert:

- 1 ***TITLE I***
- 2 ***SEC. 11000. SHORT TITLE, ETC.***
- 3 *(a) AMENDMENT OF 1986 CODE.—Except as otherwise*
- 4 *expressly provided, whenever in this title an amendment*
- 5 *or repeal is expressed in terms of an amendment to, or re-*
- 6 *peal of, a section or other provision, the reference shall be*
- 7 *considered to be made to a section or other provision of the*
- 8 *Internal Revenue Code of 1986.*

1 **Subtitle A—Individual Tax Reform**

2 **PART I—TAX RATE REFORM**

3 **SEC. 11001. MODIFICATION OF RATES.**

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

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

8 “(1) *IN GENERAL.*—In the case of a taxable year  
9 beginning after December 31, 2017, and before Janu-  
10 ary 1, 2026—

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

12 “(B) this section (other than subsection (i))  
13 shall be applied as provided in paragraphs (2)  
14 through (6).

15 “(2) *RATE TABLES.*—

16 “(A) *MARRIED INDIVIDUALS FILING JOINT*  
17 *RETURNS AND SURVIVING SPOUSES.*—The fol-  
18 lowing table shall be applied in lieu of the table  
19 contained in subsection (a):

**“If taxable income is:**

**The tax is:**

Not over \$19,050 .....	10% of taxable income.
Over \$19,050 but not over \$77,400 .....	\$1,905, plus 12% of the excess over \$19,050.
Over \$77,400 but not over \$165,000 .....	\$8,907, plus 22% of the excess over \$77,400.
Over \$165,000 but not over \$315,000 .....	\$28,179, plus 24% of the excess over \$165,000.
Over \$315,000 but not over \$400,000 .....	\$64,179, plus 32% of the excess over \$315,000.
Over \$400,000 but not over \$600,000 .....	\$91,379, plus 35% of the excess over \$400,000.

**“If taxable income is:****The tax is:**

Over \$600,000 ..... \$161,379, plus 37% of the excess over \$600,000.

1                   “(B) *HEADS OF HOUSEHOLDS.*—The fol-  
 2                   *lowing table shall be applied in lieu of the table*  
 3                   *contained in subsection (b):*

**“If taxable income is:****The tax is:**

Not over \$13,600 ..... 10% of taxable income.  
 Over \$13,600 but not over \$51,800 ..... \$1,360, plus 12% of the excess over \$13,600.  
 Over \$51,800 but not over \$82,500 ..... \$5,944, plus 22% of the excess over \$51,800.  
 Over \$82,500 but not over \$157,500 ..... \$12,698, plus 24% of the excess over \$82,500.  
 Over \$157,500 but not over \$200,000 ..... \$30,698, plus 32% of the excess over \$157,500.  
 Over \$200,000 but not over \$500,000 ..... \$44,298, plus 35% of the excess over \$200,000.  
 Over \$500,000 ..... \$149,298, plus 37% of the excess over \$500,000.

4                   “(C) *UNMARRIED INDIVIDUALS OTHER*  
 5                   *THAN SURVIVING SPOUSES AND HEADS OF*  
 6                   *HOUSEHOLDS.*—The following table shall be ap-  
 7                   *plied in lieu of the table contained in subsection*  
 8                   *(c):*

**“If taxable income is:****The tax is:**

Not over \$9,525 ..... 10% of taxable income.  
 Over \$9,525 but not over \$38,700 ..... \$952.50, plus 12% of the excess over \$9,525.  
 Over \$38,700 but not over \$82,500 ..... \$4,453.50, plus 22% of the excess over \$38,700.  
 Over \$82,500 but not over \$157,500 ..... \$14,089.50, plus 24% of the excess over \$82,500.  
 Over \$157,500 but not over \$200,000 ..... \$32,089.50, plus 32% of the excess over \$157,500.  
 Over \$200,000 but not over \$500,000 ..... \$45,689.50, plus 35% of the excess over \$200,000.  
 Over \$500,000 ..... \$150,689.50, plus 37% of the excess over \$500,000.

1                   “(D) *MARRIED INDIVIDUALS FILING SEPA-*  
 2                   *RATE RETURNS.—The following table shall be*  
 3                   *applied in lieu of the table contained in sub-*  
 4                   *section (d):*

**“If taxable income is:****The tax is:**

Not over \$9,525 .....	10% of taxable income.
Over \$9,525 but not over \$38,700 .....	\$952.50, plus 12% of the excess over \$9,525.
Over \$38,700 but not over \$82,500 .....	\$4,453.50, plus 22% of the excess over \$38,700.
Over \$82,500 but not over \$157,500 .....	\$14,089.50, plus 24% of the excess over \$82,500.
Over \$157,500 but not over \$200,000 .....	\$32,089.50, plus 32% of the excess over \$157,500.
Over \$200,000 but not over \$300,000 .....	\$45,689.50, plus 35% of the excess over \$200,000.
Over \$300,000 .....	\$80,689.50, plus 37% of the excess over \$300,000.

5                   “(E) *ESTATES AND TRUSTS.—The following*  
 6                   *table shall be applied in lieu of the table con-*  
 7                   *tained in subsection (e):*

**“If taxable income is:****The tax is:**

Not over \$2,550 .....	10% of taxable income.
Over \$2,550 but not over \$9,150 .....	\$255, plus 24% of the excess over \$2,550.
Over \$9,150 but not over \$12,500 .....	\$1,839, plus 35% of the excess over \$9,150.
Over \$12,500 .....	\$3,011.50, plus 37% of the excess over \$12,500.

8                   “(F) *REFERENCES TO RATE TABLES.—Any*  
 9                   *reference in this title to a rate of tax under sub-*  
 10                  *section (c) shall be treated as a reference to the*  
 11                  *corresponding rate bracket under subparagraph*  
 12                  *(C) of this paragraph, except that the reference*  
 13                  *in section 3402(q)(1) to the third lowest rate of*

1 *tax applicable under subsection (c) shall be treat-*  
2 *ed as a reference to the fourth lowest rate of tax*  
3 *under subparagraph (C).*

4 “(3) *ADJUSTMENTS.*—

5 “(A) *NO ADJUSTMENT IN 2018.*—*The tables*  
6 *contained in paragraph (2) shall apply without*  
7 *adjustment for taxable years beginning after De-*  
8 *cember 31, 2017, and before January 1, 2019.*

9 “(B) *SUBSEQUENT YEARS.*—*For taxable*  
10 *years beginning after December 31, 2018, the*  
11 *Secretary shall prescribe tables which shall apply*  
12 *in lieu of the tables contained in paragraph (2)*  
13 *in the same manner as under paragraphs (1)*  
14 *and (2) of subsection (f) (applied without regard*  
15 *to clauses (i) and (ii) of subsection (f)(2)(A)), ex-*  
16 *cept that in prescribing such tables—*

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

21 “(ii) *subsection (f)(7)(B) shall apply to*  
22 *any unmarried individual other than a sur-*  
23 *viving spouse or head of household, and*

24 “(iii) *subsection (f)(8) shall not apply.*

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

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

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

14           “(i) *24-PERCENT BRACKET.*—*The max-*  
15 *imum taxable income which is taxed at a*  
16 *rate below 24 percent shall not be more than*  
17 *the sum of—*

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

20           “(II) *the minimum taxable in-*  
21 *come for the 24-percent bracket in the*  
22 *table under paragraph (2)(E) (as ad-*  
23 *justed under paragraph (3)) for the*  
24 *taxable year.*

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

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

7                     “(II) *the minimum taxable in-*  
8                     *come for the 35-percent bracket in the*  
9                     *table under paragraph (2)(E) (as ad-*  
10                    *justed under paragraph (3)) for the*  
11                    *taxable year.*

12           “(iii) 37-PERCENT BRACKET.—The  
13           *maximum taxable income which is taxed at*  
14           *a rate below 37 percent shall not be more*  
15           *than the sum of—*

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

18                    “(II) *the minimum taxable in-*  
19                    *come for the 37-percent bracket in the*  
20                    *table under paragraph (2)(E) (as ad-*  
21                    *justed under paragraph (3)) for the*  
22                    *taxable year.*

23           “(C) COORDINATION WITH CAPITAL GAINS  
24           *RATES.—For purposes of applying section 1(h)*

1           *(after the modifications under paragraph*  
 2           *(5)(A))—*

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

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

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

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

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

14                           *“(II) the amount in effect under*  
 15                           *paragraph (5)(B)(ii)(IV) for the tax-*  
 16                           *able year.*

17                   *“(D) EARNED TAXABLE INCOME.—For pur-*  
 18                   *poses of this paragraph, the term ‘earned taxable*  
 19                   *income’ means, with respect to any child for any*  
 20                   *taxable year, the taxable income of such child re-*  
 21                   *duced (but not below zero) by the net unearned*  
 22                   *income (as defined in subsection (g)(4)) of such*  
 23                   *child.*

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



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

3           “(i) by substituting ‘below the max-  
4           imum zero rate amount’ for ‘which would  
5           (without regard to this paragraph) be taxed  
6           at a rate below 25 percent’ in subparagraph  
7           (B)(i), and

8           “(ii) by substituting ‘below the max-  
9           imum 15-percent rate amount’ for ‘which  
10          would (without regard to this paragraph) be  
11          taxed at a rate below 39.6 percent’ in sub-  
12          paragraph (C)(ii)(I).

13          “(B) *MAXIMUM AMOUNTS DEFINED.*—For  
14          purposes of applying section 1(h) with the modi-  
15          fications described in subparagraph (A)—

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

18                 “(I) in the case of a joint return  
19                 or surviving spouse, \$77,200,

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

23                 “(III) in the case of any other in-  
24                 dividual (other than an estate or  
25                 trust), an amount equal to  $\frac{1}{2}$  of the

1                   *amount in effect for the taxable year*  
2                   *under subclause (I), and*

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

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

8                   “*(I) in the case of a joint return*  
9                   *or surviving spouse, \$479,000 (1/2 such*  
10                  *amount in the case of a married indi-*  
11                  *vidual filing a separate return),*

12                  “*(II) in the case of an individual*  
13                  *who is the head of a household (as de-*  
14                  *fined in section 2(b)), \$452,400,*

15                  “*(III) in the case of any other in-*  
16                  *dividual (other than an estate or*  
17                  *trust), \$425,800, and*

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

20                  “*(C) INFLATION ADJUSTMENT.—In the case*  
21                  *of any taxable year beginning after 2018, each of*  
22                  *the dollar amounts in clauses (i) and (ii) of sub-*  
23                  *paragraph (B) shall be increased by an amount*  
24                  *equal to—*

25                  “*(i) such dollar amount, multiplied by*

1           “(i) the cost-of-living adjustment de-  
2           termined under subsection (f)(3) for the cal-  
3           endar year in which the taxable year be-  
4           gins, determined by substituting ‘calendar  
5           year 2017’ for ‘calendar year 2016’ in sub-  
6           paragraph (A)(ii) thereof.

7           If any increase under this subparagraph is not  
8           a multiple of \$50, such increase shall be rounded  
9           to the next lowest multiple of \$50.

10           “(6) SECTION 15 NOT TO APPLY.—Section 15  
11           shall not apply to any change in a rate of tax by rea-  
12           son of this subsection.”.

13           (b) DUE DILIGENCE TAX PREPARER REQUIREMENT  
14 WITH RESPECT TO HEAD OF HOUSEHOLD FILING STA-  
15 TUS.—Subsection (g) of section 6695 is amended to read  
16 as follows:

17           “(g) FAILURE TO BE DILIGENT IN DETERMINING ELI-  
18 GIBILITY FOR CERTAIN TAX BENEFITS.—Any person who  
19 is a tax return preparer with respect to any return or claim  
20 for refund who fails to comply with due diligence require-  
21 ments imposed by the Secretary by regulations with respect  
22 to determining—

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

1           “(2) eligibility for, or the amount of, the credit  
2           allowable by section 24, 25A(a)(1), or 32,  
3 shall pay a penalty of \$500 for each such failure.”.

4           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
5 *section shall apply to taxable years beginning after Decem-*  
6 *ber 31, 2017.*

7   **SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED**  
8                           **CPI.**

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

12                       “(3) *COST-OF-LIVING ADJUSTMENT.*—*For pur-*  
13 *poses of this subsection—*

14                               “(A) *IN GENERAL.*—*The cost-of-living ad-*  
15 *justment for any calendar year is the percentage*  
16 *(if any) by which—*

17                                       “(i) *the C-CPI-U for the preceding cal-*  
18 *endar year, exceeds*

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

22                               “(B) *AMOUNT DETERMINED.*—*The amount*  
23 *determined under this clause is the amount ob-*  
24 *tained by dividing—*

1                   “(i) the C-CPI-U for calendar year  
2                   2016, by

3                   “(ii) the CPI for calendar year 2016.

4                   “(C) SPECIAL RULE FOR ADJUSTMENTS  
5                   WITH A BASE YEAR AFTER 2016.—For purposes  
6                   of any provision of this title which provides for  
7                   the substitution of a year after 2016 for ‘2016’  
8                   in subparagraph (A)(i), subparagraph (A) shall  
9                   be applied by substituting ‘the C-CPI-U for cal-  
10                  endar year 2016’ for ‘the CPI for calendar year  
11                  2016’ and all that follows in clause (i) thereof.”.

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

16                  “(6) C-CPI-U.—For purposes of this sub-  
17                  section—

18                  “(A) IN GENERAL.—The term ‘C-CPI-U’  
19                  means the Chained Consumer Price Index for All  
20                  Urban Consumers (as published by the Bureau of  
21                  Labor Statistics of the Department of Labor).  
22                  The values of the Chained Consumer Price Index  
23                  for All Urban Consumers taken into account for  
24                  purposes of determining the cost-of-living adjust-  
25                  ment for any calendar year under this subsection

1 shall be the latest values so published as of the  
2 date on which such Bureau publishes the initial  
3 value of the Chained Consumer Price Index for  
4 All Urban Consumers for the month of August  
5 for the preceding calendar year.

6 “(B) DETERMINATION FOR CALENDAR  
7 YEAR.—The C-CPI-U for any calendar year is  
8 the average of the C-CPI-U as of the close of the  
9 12-month period ending on August 31 of such  
10 calendar year.”.

11 (c) APPLICATION TO PERMANENT TAX TABLES.—

12 (1) IN GENERAL.—Section 1(f)(2)(A) is amended  
13 to read as follows:

14 “(A) except as provided in paragraph (8),  
15 by increasing the minimum and maximum dol-  
16 lar amounts for each bracket for which a tax is  
17 imposed under such table by the cost-of-living  
18 adjustment for such calendar year, determined—

19 “(i) except as provided in clause (ii),  
20 by substituting ‘1992’ for ‘2016’ in para-  
21 graph (3)(A)(ii), and

22 “(ii) in the case of adjustments to the  
23 dollar amounts at which the 36 percent rate  
24 bracket begins or at which the 39.6 percent

1           rate bracket begins, by substituting ‘1993’  
2           for ‘2016’ in paragraph (3)(A)(ii),”.

3           (2) *CONFORMING AMENDMENTS.*—Section 1(i) is  
4           amended—

5           (A) by striking “for ‘1992’ in subparagraph  
6           (B)” in paragraph (1)(C) and inserting “for  
7           ‘2016’ in subparagraph (A)(ii)”, and

8           (B) by striking “subsection (f)(3)(B) shall  
9           be applied by substituting ‘2012’ for ‘1992’” in  
10          paragraph (3)(C) and inserting “subsection  
11          (f)(3)(A)(ii) shall be applied by substituting  
12          ‘2012’ for ‘2016’”.

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

15          (1) *The following sections are each amended by*  
16          *striking “for ‘calendar year 1992’ in subparagraph*  
17          *(B)” and inserting “for ‘calendar year 2016’ in sub-*  
18          *paragraph (A)(ii)”:*

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

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

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

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

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

- 1                   (F) Section 41(e)(5)(C)(i).
- 2                   (G) Subsections (e)(3)(D)(ii) and
- 3                   (h)(3)(H)(i)(II) of section 42.
- 4                   (H) Section 45R(d)(3)(B)(ii).
- 5                   (I) Section 55(d)(4)(A)(ii).
- 6                   (J) Section 62(d)(3)(B).
- 7                   (K) Section 63(c)(4)(B).
- 8                   (L) Section 125(i)(2)(B).
- 9                   (M) Section 135(b)(2)(B)(ii).
- 10                  (N) Section 137(f)(2).
- 11                  (O) Section 146(d)(2)(B).
- 12                  (P) Section 147(c)(2)(H)(ii).
- 13                  (Q) Section 151(d)(4)(B).
- 14                  (R) Section 179(b)(6)(A)(ii).
- 15                  (S) Subsections (b)(5)(C)(i)(II) and
- 16                  (g)(8)(B) of section 219.
- 17                  (T) Section 220(g)(2).
- 18                  (U) Section 221(f)(1)(B).
- 19                  (V) Section 223(g)(1)(B).
- 20                  (W) Section 408A(c)(3)(D)(ii).
- 21                  (X) Section 430(c)(7)(D)(vii)(II).
- 22                  (Y) Section 512(d)(2)(B).
- 23                  (Z) Section 513(h)(2)(C)(ii).
- 24                  (AA) Section 831(b)(2)(D)(i).
- 25                  (BB) Section 877A(a)(3)(B)(i)(II).



1                   (CC) Section 2010(c)(3)(B)(ii).

2                   (DD) Section 2032A(a)(3)(B).

3                   (EE) Section 2503(b)(2)(B).

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

5                   (GG) Section 5000A(c)(3)(D)(ii).

6                   (HH) Section 6323(i)(4)(B).

7                   (II) Section 6334(g)(1)(B).

8                   (JJ) Section 6601(j)(3)(B).

9                   (KK) Section 6651(i)(1).

10                  (LL) Section 6652(c)(7)(A).

11                  (MM) Section 6695(h)(1).

12                  (NN) Section 6698(e)(1).

13                  (OO) Section 6699(e)(1).

14                  (PP) Section 6721(f)(1).

15                  (QQ) Section 6722(f)(1).

16                  (RR) Section 7345(f)(2).

17                  (SS) Section 7430(c)(1).

18                  (TT) Section 9831(d)(2)(D)(ii)(II).

19                  (2) Sections 41(e)(5)(C)(ii) and 68(b)(2)(B) are  
20 each amended—

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

22                   “1(f)(3)(A)(ii)”, and

23                   (B) by striking “1992” and inserting

24                   “2016”.

25                  (3) Section 42(h)(6)(G) is amended—

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

4           (B) by striking “if the CPI for any cal-  
5           endar year” and all that follows in clause (ii)  
6           and inserting “if the C-CPI-U for any calendar  
7           year (as defined in section 1(f)(6)) exceeds the C-  
8           CPI-U for the preceding calendar year by more  
9           than 5 percent, the C-CPI-U for the base cal-  
10          endar year shall be increased such that such ex-  
11          cess shall never be taken into account under  
12          clause (i). In the case of a base calendar year be-  
13          fore 2017, the C-CPI-U for such year shall be de-  
14          termined by multiplying the CPI for such year  
15          by the amount determined under section  
16          1(f)(3)(B).”.

17          (4) Section 59(j)(2)(B) is amended by striking  
18          “for ‘1992’ in subparagraph (B)” and inserting “for  
19          ‘2016’ in subparagraph (A)(ii)”.

20          (5) Section 132(f)(6)(A)(ii) is amended by strik-  
21          ing “for ‘calendar year 1992’” and inserting “for  
22          ‘calendar year 2016’ in subparagraph (A)(ii) there-  
23          of”.

24          (6) Section 162(o)(3) is amended by striking  
25          “adjusted for changes in the Consumer Price Index

1       *(as defined in section 1(f)(5)) since 1991” and insert-*  
2       *ing “adjusted by increasing any such amount under*  
3       *the 1991 agreement by an amount equal to—*

4               *“(A) such amount, multiplied by*

5               *“(B) the cost-of-living adjustment deter-*  
6       *mined under section 1(f)(3) for the calendar year*  
7       *in which the taxable year begins, by substituting*  
8       *‘calendar year 1990’ for ‘calendar year 2016’ in*  
9       *subparagraph (A)(i) thereof’.*

10       *(7) So much of clause (ii) of section*  
11       *213(d)(10)(B) as precedes the last sentence is amend-*  
12       *ed to read as follows:*

13               *“(i) MEDICAL CARE COST ADJUST-*  
14       *MENT.—For purposes of clause (i), the med-*  
15       *ical care cost adjustment for any calendar*  
16       *year is the percentage (if any) by which—*

17               *“(I) the medical care component*  
18       *of the C-CPI-U (as defined in section*  
19       *1(f)(6)) for August of the preceding cal-*  
20       *endar year, exceeds*

21               *“(II) such component of the CPI*  
22       *(as defined in section 1(f)(4)) for Au-*  
23       *gust of 1996, multiplied by the amount*  
24       *determined under section 1(f)(3)(B).”.*

1           (8) *Subparagraph (B) of section 280F(d)(7) is*  
2 *amended to read as follows:*

3           “*(B) AUTOMOBILE PRICE INFLATION AD-*  
4 *JUSTMENT.—For purposes of this paragraph—*

5           “*(i) IN GENERAL.—The automobile*  
6 *price inflation adjustment for any calendar*  
7 *year is the percentage (if any) by which—*

8           “*(I) the C-CPI-U automobile com-*  
9 *ponent for October of the preceding cal-*  
10 *endar year, exceeds*

11           “*(II) the automobile component of*  
12 *the CPI (as defined in section 1(f)(4))*  
13 *for October of 1987, multiplied by the*  
14 *amount determined under 1(f)(3)(B).*

15           “*(ii) C-CPI-U AUTOMOBILE COMPO-*  
16 *NENT.—The term ‘C-CPI-U automobile*  
17 *component’ means the automobile compo-*  
18 *nent of the Chained Consumer Price Index*  
19 *for All Urban Consumers (as described in*  
20 *section 1(f)(6)).”.*

21           (9) *Section 911(b)(2)(D)(ii)(II) is amended by*  
22 *striking “for ‘1992’ in subparagraph (B)” and insert-*  
23 *ing “for ‘2016’ in subparagraph (A)(ii)”.*

24           (10) *Paragraph (2) of section 1274A(d) is*  
25 *amended to read as follows:*

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

7                   “(A) *such amount, multiplied by*

8                   “(B) *the cost-of-living adjustment deter-*  
9 *mined under section 1(f)(3) for the calendar year*  
10 *in which the taxable year begins, by substituting*  
11 *‘calendar year 1988’ for ‘calendar year 2016’ in*  
12 *subparagraph (A)(ii) thereof.*

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

17           (11) *Section 4161(b)(2)(C)(i)(II) is amended by*  
18 *striking “for ‘1992’ in subparagraph (B)” and insert-*  
19 *ing “for ‘2016’ in subparagraph (A)(ii)”.*

20           (12) *Section 4980I(b)(3)(C)(v)(II) is amended by*  
21 *striking “for ‘1992’ in subparagraph (B)” and insert-*  
22 *ing “for ‘2016’ in subparagraph (A)(ii)”.*

23           (13) *Section 6039F(d) is amended by striking*  
24 *“subparagraph (B) thereof shall be applied by sub-*  
25 *stituting ‘1995’ for ‘1992’” and inserting “subpara-*

1 *graph (A)(ii) thereof shall be applied by substituting*  
2 *‘1995’ for ‘2016’.*

3 *(14) Section 7872(g)(5) is amended to read as*  
4 *follows:*

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

9 *“(A) such amount, multiplied by*

10 *“(B) the cost-of-living adjustment deter-*  
11 *mined under section 1(f)(3) for the calendar year*  
12 *in which the taxable year begins, by substituting*  
13 *‘calendar year 1985’ for ‘calendar year 2016’ in*  
14 *subparagraph (A)(ii) thereof.*

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

19 *(e) EFFECTIVE DATE.—The amendments made by this*  
20 *section shall apply to taxable years beginning after Decem-*  
21 *ber 31, 2017.*

1 **PART II—DEDUCTION FOR QUALIFIED BUSINESS**2 **INCOME OF PASS-THRU ENTITIES**3 **SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS IN-**4 **COME.**

5 (a) *IN GENERAL.*—Part VI of subchapter B of chapter  
6 1 is amended by adding at the end the following new sec-  
7 tion:

8 **“SEC. 199A. QUALIFIED BUSINESS INCOME.**

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

12 “(1) the lesser of—

13 “(A) the combined qualified business income  
14 amount of the taxpayer, or

15 “(B) an amount equal to 20 percent of the  
16 excess (if any) of—

17 “(i) the taxable income of the taxpayer  
18 for the taxable year, over

19 “(ii) the sum of any net capital gain  
20 (as defined in section 1(h)), plus the aggre-  
21 gate amount of the qualified cooperative  
22 dividends, of the taxpayer for the taxable  
23 year, plus

24 “(2) the lesser of—

1           “(A) 20 percent of the aggregate amount of  
2           the qualified cooperative dividends of the tax-  
3           payer for the taxable year, or

4           “(B) taxable income (reduced by the net  
5           capital gain (as so defined)) of the taxpayer for  
6           the taxable year.

7           The amount determined under the preceding sentence shall  
8           not exceed the taxable income (reduced by the net capital  
9           gain (as so defined)) of the taxpayer for the taxable year.

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

12           “(1) **IN GENERAL.**—The term ‘combined quali-  
13           fied business income amount’ means, with respect to  
14           any taxable year, an amount equal to—

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

18           “(B) 20 percent of the aggregate amount of  
19           the qualified REIT dividends and qualified pub-  
20           licly traded partnership income of the taxpayer  
21           for the taxable year.

22           “(2) **DETERMINATION OF DEDUCTIBLE AMOUNT**  
23 **FOR EACH TRADE OR BUSINESS.**—The amount deter-  
24           mined under this paragraph with respect to any  
25           qualified trade or business is the lesser of—



1           “(A) 20 percent of the taxpayer’s qualified  
2           business income with respect to the qualified  
3           trade or business, or

4           “(B) the greater of—

5                   “(i) 50 percent of the W-2 wages with  
6                   respect to the qualified trade or business, or

7                   “(ii) the sum of 25 percent of the W-  
8                   2 wages with respect to the qualified trade  
9                   or business, plus 2.5 percent of the  
10                  unadjusted basis immediately after acquisi-  
11                  tion of all qualified property.

12           “(3) MODIFICATIONS TO LIMIT BASED ON TAX-  
13           ABLE INCOME.—

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

19                   “(B) PHASE-IN OF LIMIT FOR CERTAIN TAX-  
20                   PAYERS.—

21                           “(i) IN GENERAL.—If—

22                                   “(I) the taxable income of a tax-  
23                                   payer for any taxable year exceeds the  
24                                   threshold amount, but does not exceed  
25                                   the sum of the threshold amount plus

1           \$50,000 (\$100,000 in the case of a  
2           joint return), and

3           “(II) the amount determined  
4           under paragraph (2)(B) (determined  
5           without regard to this subparagraph)  
6           with respect to any qualified trade or  
7           business carried on by the taxpayer is  
8           less than the amount determined under  
9           paragraph (2)(A) with respect such  
10          trade or business,

11          then paragraph (2) shall be applied with re-  
12          spect to such trade or business without re-  
13          gard to subparagraph (B) thereof and by re-  
14          ducing the amount determined under sub-  
15          paragraph (A) thereof by the amount deter-  
16          mined under clause (ii).

17          “(ii) AMOUNT OF REDUCTION.—The  
18          amount determined under this subpara-  
19          graph is the amount which bears the same  
20          ratio to the excess amount as—

21                 “(I) the amount by which the tax-  
22                 payer’s taxable income for the taxable  
23                 year exceeds the threshold amount,  
24                 bears to

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

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

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

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

12                  “(4) *WAGES, ETC.*—

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

20                  “(B) *LIMITATION TO WAGES ATTRIBUTABLE*  
21                  *TO QUALIFIED BUSINESS INCOME*.—Such term  
22                  shall not include any amount which is not prop-  
23                  erly allocable to qualified business income for  
24                  purposes of subsection (c)(1).

1           “(C) *RETURN REQUIREMENT.*—Such term  
2           shall not include any amount which is not prop-  
3           erly included in a return filed with the Social  
4           Security Administration on or before the 60th  
5           day after the due date (including extensions) for  
6           such return.

7           “(5) *ACQUISITIONS, DISPOSITIONS, AND SHORT*  
8           *TAXABLE YEARS.*—The Secretary shall provide for the  
9           application of this subsection in cases of a short tax-  
10          able year or where the taxpayer acquires, or disposes  
11          of, the major portion of a trade or business or the  
12          major portion of a separate unit of a trade or busi-  
13          ness during the taxable year.

14          “(6) *QUALIFIED PROPERTY.*—For purposes of  
15          this section:

16                 “(A) *IN GENERAL.*—The term ‘qualified  
17                 property’ means, with respect to any qualified  
18                 trade or business for a taxable year, tangible  
19                 property of a character subject to the allowance  
20                 for depreciation under section 167—

21                         “(i) which is held by, and available for  
22                         use in, the qualified trade or business at the  
23                         close of the taxable year,

1           “(ii) which is used at any point dur-  
2           ing the taxable year in the production of  
3           qualified business income, and

4           “(iii) the depreciable period for which  
5           has not ended before the close of the taxable  
6           year.

7           “(B) *DEPRECIABLE PERIOD.*—The term ‘de-  
8           preciable period’ means, with respect to qualified  
9           property of a taxpayer, the period beginning on  
10          the date the property was first placed in service  
11          by the taxpayer and ending on the later of—

12           “(i) the date that is 10 years after such  
13          date, or

14           “(ii) the last day of the last full year  
15          in the applicable recovery period that would  
16          apply to the property under section 168 (de-  
17          termined without regard to subsection (g)  
18          thereof).

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

21           “(1) *IN GENERAL.*—The term ‘qualified business  
22          income’ means, for any taxable year, the net amount  
23          of qualified items of income, gain, deduction, and loss  
24          with respect to any qualified trade or business of the  
25          taxpayer. Such term shall not include any qualified

1     *REIT dividends, qualified cooperative dividends, or*  
2     *qualified publicly traded partnership income.*

3             “(2) *CARRYOVER OF LOSSES.*—*If the net amount*  
4     *of qualified income, gain, deduction, and loss with re-*  
5     *spect to qualified trades or businesses of the taxpayer*  
6     *for any taxable year is less than zero, such amount*  
7     *shall be treated as a loss from a qualified trade or*  
8     *business in the succeeding taxable year.*

9             “(3) *QUALIFIED ITEMS OF INCOME, GAIN, DE-*  
10    *DUCTION, AND LOSS.*—*For purposes of this sub-*  
11    *section—*

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

16             “(i) *effectively connected with the con-*  
17    *duct of a trade or business within the*  
18    *United States (within the meaning of sec-*  
19    *tion 864(c), determined by substituting*  
20    *‘qualified trade or business (within the*  
21    *meaning of section 199A)’ for ‘nonresident*  
22    *alien individual or a foreign corporation’ or*  
23    *for ‘a foreign corporation’ each place it ap-*  
24    *pears), and*

1           “(ii) included or allowed in deter-  
2           mining taxable income for the taxable year.

3           “(B) *EXCEPTIONS.*—The following invest-  
4           ment items shall not be taken into account as a  
5           qualified item of income, gain, deduction, or loss:

6           “(i) Any item of short-term capital  
7           gain, short-term capital loss, long-term cap-  
8           ital gain, or long-term capital loss.

9           “(ii) Any dividend, income equivalent  
10          to a dividend, or payment in lieu of divi-  
11          dends described in section 954(c)(1)(G).

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

15          “(iv) Any item of gain or loss de-  
16          scribed in subparagraph (C) or (D) of sec-  
17          tion 954(c)(1) (applied by substituting  
18          ‘qualified trade or business’ for ‘controlled  
19          foreign corporation’).

20          “(v) Any item of income, gain, deduc-  
21          tion, or loss taken into account under sec-  
22          tion 954(c)(1)(F) (determined without re-  
23          gard to clause (ii) thereof and other than  
24          items attributable to notional principal con-

1           *tracts entered into in transactions quali-*  
2           *fying under section 1221(a)(7)).*

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

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

9           “(4) *TREATMENT OF REASONABLE COMPENSA-*  
10          *TION AND GUARANTEED PAYMENTS.—Qualified busi-*  
11          *ness income shall not include—*

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

16           “(B) *any guaranteed payment described in*  
17           *section 707(c) paid to a partner for services ren-*  
18           *dered with respect to the trade or business, and*

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

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



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

3                   “(A) a specified service trade or business, or

4                   “(B) the trade or business of performing  
5           *services as an employee.*

6           “(2) *SPECIFIED SERVICE TRADE OR BUSINESS.*—  
7           The term ‘specified service trade or business’ means  
8           any trade or business—

9                   “(A) which is described in section  
10           1202(e)(3)(A) (applied without regard to the  
11           words ‘engineering, architecture,’) or which  
12           would be so described if the term ‘employees or  
13           owners’ were substituted for ‘employees’ therein,  
14           or

15                   “(B) which involves the performance of serv-  
16           ices that consist of investing and investment  
17           management, trading, or dealing in securities  
18           (as defined in section 475(c)(2)), partnership in-  
19           terests, or commodities (as defined in section  
20           475(e)(2)).

21           “(3) *EXCEPTION FOR SPECIFIED SERVICE BUSI-*  
22           *NESSES BASED ON TAXPAYER’S INCOME.*—

23                   “(A) *IN GENERAL.*—If, for any taxable  
24           year, the taxable income of any taxpayer is less  
25           than the sum of the threshold amount plus

1           \$50,000 (\$100,000 in the case of a joint return),  
2           then—

3                   “(i) any specified service trade or busi-  
4                   ness of the taxpayer shall not fail to be  
5                   treated as a qualified trade or business due  
6                   to paragraph (1)(A), but

7                   “(ii) only the applicable percentage of  
8                   qualified items of income, gain, deduction,  
9                   or loss, and the W-2 wages and the  
10                  unadjusted basis immediately after acquisi-  
11                  tion of qualified property, of the taxpayer  
12                  allocable to such specified service trade or  
13                  business shall be taken into account in com-  
14                  puting the qualified business income, W-2  
15                  wages, and the unadjusted basis imme-  
16                  diately after acquisition of qualified prop-  
17                  erty of the taxpayer for the taxable year for  
18                  purposes of applying this section.

19                  “(B) *APPLICABLE PERCENTAGE*.—For pur-  
20                  poses of subparagraph (A), the term ‘applicable  
21                  percentage’ means, with respect to any taxable  
22                  year, 100 percent reduced (not below zero) by the  
23                  percentage equal to the ratio of—

1                   “(i) the taxable income of the taxpayer  
2                   for the taxable year in excess of the thresh-  
3                   old amount, bears to

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

6           “(e) *OTHER DEFINITIONS.*—For purposes of this sec-  
7   tion—

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

11                  “(2) *THRESHOLD AMOUNT.*—

12                   “(A) *IN GENERAL.*—The term ‘threshold  
13                   amount’ means \$157,500 (200 percent of such  
14                   amount in the case of a joint return).

15                   “(B) *INFLATION ADJUSTMENT.*—In the case  
16                   of any taxable year beginning after 2018, the  
17                   dollar amount in subparagraph (A) shall be in-  
18                   creased by an amount equal to—

19                   “(i) such dollar amount, multiplied by

20                   “(ii) the cost-of-living adjustment de-  
21                   termined under section 1(f)(3) for the cal-  
22                   endar year in which the taxable year be-  
23                   gins, determined by substituting ‘calendar  
24                   year 2017’ for ‘calendar year 2016’ in sub-  
25                   paragraph (A)(ii) thereof.

1           *The amount of any increase under the preceding*  
2           *sentence shall be rounded as provided in section*  
3           *1(f)(7).*

4           “(3) *QUALIFIED REIT DIVIDEND.*—*The term*  
5           *‘qualified REIT dividend’ means any dividend from*  
6           *a real estate investment trust received during the tax-*  
7           *able year which—*

8                   “(A) *is not a capital gain dividend, as de-*  
9                   *finied in section 857(b)(3), and*

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

12           “(4) *QUALIFIED COOPERATIVE DIVIDEND.*—*The*  
13           *term ‘qualified cooperative dividend’ means any pa-*  
14           *tronage dividend (as defined in section 1388(a)), any*  
15           *per-unit retain allocation (as defined in section*  
16           *1388(f)), and any qualified written notice of alloca-*  
17           *tion (as defined in section 1388(c)), or any similar*  
18           *amount received from an organization described in*  
19           *subparagraph (B)(ii), which—*

20                   “(A) *is includible in gross income, and*

21                   “(B) *is received from—*

22                           “(i) *an organization or corporation de-*  
23                           *scribed in section 501(c)(12) or 1381(a), or*

24                           “(ii) *an organization which is gov-*  
25                           *erned under this title by the rules applicable*

1           to cooperatives under this title before the en-  
2           actment of subchapter T.

3           “(5) *QUALIFIED PUBLICLY TRADED PARTNER-*  
4           *SHIP INCOME.*—The term ‘qualified publicly traded  
5           partnership income’ means, with respect to any quali-  
6           fied trade or business of a taxpayer, the sum of—

7                   “(A) the net amount of such taxpayer’s allo-  
8                   cable share of each qualified item of income,  
9                   gain, deduction, and loss (as defined in sub-  
10                  section (c)(3) and determined after the applica-  
11                  tion of subsection (c)(4)) from a publicly traded  
12                  partnership (as defined in section 7704(a))  
13                  which is not treated as a corporation under sec-  
14                  tion 7704(c), plus

15                   “(B) any gain recognized by such taxpayer  
16                   upon disposition of its interest in such partner-  
17                   ship to the extent such gain is treated as an  
18                   amount realized from the sale or exchange of  
19                   property other than a capital asset under section  
20                   751(a).

21           “(f) *SPECIAL RULES.*—

22                   “(1) *APPLICATION TO PARTNERSHIPS AND S COR-*  
23                  *PORATIONS.*—

24                   “(A) *IN GENERAL.*—In the case of a part-  
25                  nership or S corporation—

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

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

7           “(iii) each partner or shareholder shall  
8           be treated for purposes of subsection (b) as  
9           having W-2 wages and unadjusted basis  
10          immediately after acquisition of qualified  
11          property for the taxable year in an amount  
12          equal to such person’s allocable share of the  
13          W-2 wages and the unadjusted basis imme-  
14          diately after acquisition of qualified prop-  
15          erty of the partnership or S corporation for  
16          the taxable year (as determined under regu-  
17          lations prescribed by the Secretary).

18          For purposes of clause (iii), a partner’s or share-  
19          holder’s allocable share of W-2 wages shall be de-  
20          termined in the same manner as the partner’s or  
21          shareholder’s allocable share of wage expenses.

22          For purposes of such clause, partner’s or share-  
23          holder’s allocable share of the unadjusted basis  
24          immediately after acquisition of qualified prop-  
25          erty shall be determined in the same manner as

1           the partner’s or shareholder’s allocable share of  
2           depreciation. For purposes of this subparagraph,  
3           in the case of an S corporation, an allocable  
4           share shall be the shareholder’s pro rata share of  
5           an item.

6           “(B) *APPLICATION TO TRUSTS AND ES-*  
7           *TATES.—Rules similar to the rules under section*  
8           *199(d)(1)(B)(i) (as in effect on December 1,*  
9           *2017) for the apportionment of W–2 wages shall*  
10           *apply to the apportionment of W–2 wages and*  
11           *the apportionment of unadjusted basis imme-*  
12           *diately after acquisition of qualified property*  
13           *under this section.*

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

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

1           “(i) *SPECIAL RULE FOR APPLYING*  
2           *LIMIT.—In the case of any taxpayer de-*  
3           *scribed in clause (i), the determination of*  
4           *W–2 wages of such taxpayer with respect to*  
5           *any qualified trade or business conducted in*  
6           *Puerto Rico shall be made without regard to*  
7           *any exclusion under section 3401(a)(8) for*  
8           *remuneration paid for services in Puerto*  
9           *Rico.*

10           “(2) *COORDINATION WITH MINIMUM TAX.—For*  
11           *purposes of determining alternative minimum taxable*  
12           *income under section 55, qualified business income*  
13           *shall be determined without regard to any adjust-*  
14           *ments under sections 56 through 59.*

15           “(3) *DEDUCTION LIMITED TO INCOME TAXES.—*  
16           *The deduction under subsection (a) shall only be al-*  
17           *lowed for purposes of this chapter.*

18           “(4) *REGULATIONS.—The Secretary shall pre-*  
19           *scribe such regulations as are necessary to carry out*  
20           *the purposes of this section, including regulations—*

21           “(A) *for requiring or restricting the alloca-*  
22           *tion of items and wages under this section and*  
23           *such reporting requirements as the Secretary de-*  
24           *termines appropriate, and*



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

3           “(g) DEDUCTION ALLOWED TO SPECIFIED AGRICUL-  
4           TURAL OR HORTICULTURAL COOPERATIVES.—

5           “(1) IN GENERAL.—In the case of any taxable  
6           year of a specified agricultural or horticultural coop-  
7           erative beginning after December 31, 2017, there shall  
8           be allowed a deduction in an amount equal to the  
9           lesser of—

10           “(A) 20 percent of the excess (if any) of—

11           “(i) the gross income of a specified ag-  
12           ricultural or horticultural cooperative, over

13           “(ii) the qualified cooperative divi-  
14           dends (as defined in subsection (e)(4)) paid  
15           during the taxable year for the taxable year,

16           or

17           “(B) the greater of—

18           “(i) 50 percent of the W-2 wages of the  
19           cooperative with respect to its trade or busi-  
20           ness, or

21           “(ii) the sum of 25 percent of the W-  
22           2 wages of the cooperative with respect to  
23           its trade or business, plus 2.5 percent of the  
24           unadjusted basis immediately after acquisi-

1                    *tion of all qualified property of the coopera-*  
2                    *tive.*

3                    “(2) *LIMITATION.*—*The amount determined*  
4                    *under paragraph (1) shall not exceed the taxable in-*  
5                    *come of the specified agricultural or horticultural for*  
6                    *the taxable year.*

7                    “(3) *SPECIFIED AGRICULTURAL OR HORTI-*  
8                    *CULTURAL COOPERATIVE.*—*For purposes of this sub-*  
9                    *section, the term ‘specified agricultural or horti-*  
10                    *cultural cooperative’ means an organization to which*  
11                    *part I of subchapter T applies which is engaged in—*

12                    “(A) *the manufacturing, production,*  
13                    *growth, or extraction in whole or significant*  
14                    *part of any agricultural or horticultural prod-*  
15                    *uct,*

16                    “(B) *the marketing of agricultural or horti-*  
17                    *cultural products which its patrons have so man-*  
18                    *ufactured, produced, grown, or extracted, or*

19                    “(C) *the provision of supplies, equipment,*  
20                    *or services to farmers or to organizations de-*  
21                    *scribed in subparagraph (A) or (B).*

22                    “(h) *ANTI-ABUSE RULES.*—*The Secretary shall—*

23                    “(1) *apply rules similar to the rules under sec-*  
24                    *tion 179(d)(2) in order to prevent the manipulation*

1 of the depreciable period of qualified property using  
2 transactions between related parties, and

3 “(2) prescribe rules for determining the  
4 unadjusted basis immediately after acquisition of  
5 qualified property acquired in like-kind exchanges or  
6 involuntary conversions.

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

9 (b) *TREATMENT OF DEDUCTION IN COMPUTING AD-*  
10 *JUSTED GROSS AND TAXABLE INCOME*.—

11 (1) *DEDUCTION NOT ALLOWED IN COMPUTING*  
12 *ADJUSTED GROSS INCOME*.—Section 62(a) is amended  
13 by adding at the end the following new sentence: “The  
14 deduction allowed by section 199A shall not be treated  
15 as a deduction described in any of the preceding  
16 paragraphs of this subsection.”.

17 (2) *DEDUCTION ALLOWED TO NONITEMIZERS*.—  
18 Section 63(b) is amended by striking “and” at the  
19 end of paragraph (1), by striking the period at the  
20 end of paragraph (2) and inserting “, and”, and by  
21 adding at the end the following new paragraph:

22 “(3) the deduction provided in section 199A.”.

23 (3) *DEDUCTION ALLOWED TO ITEMIZERS WITH-*  
24 *OUT LIMITS ON ITEMIZED DEDUCTIONS*.—Section  
25 63(d) is amended by striking “and” at the end of

1 paragraph (1), by striking the period at the end of  
2 paragraph (2) and inserting “, and”, and by adding  
3 at the end the following new paragraph:

4 “(3) the deduction provided in section 199A.”

5 (4) CONFORMING AMENDMENT.—Section  
6 3402(m)(1) is amended by inserting “and the esti-  
7 mated deduction allowed under section 199A” after  
8 “chapter 1”.

9 (c) ACCURACY-RELATED PENALTY ON DETERMINATION  
10 OF APPLICABLE PERCENTAGE.—Section 6662(d)(1) is  
11 amended by inserting at the end the following new subpara-  
12 graph:

13 “(C) SPECIAL RULE FOR TAXPAYERS CLAIM-  
14 ING SECTION 199A DEDUCTION.—In the case of  
15 any taxpayer who claims the deduction allowed  
16 under section 199A for the taxable year, sub-  
17 paragraph (A) shall be applied by substituting ‘5  
18 percent’ for ‘10 percent’.”

19 (d) CONFORMING AMENDMENTS.—

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

22 “(8) QUALIFIED BUSINESS INCOME DEDUC-  
23 TION.—The deduction under section 199A shall not be  
24 allowed.”

1           (2) Section 246(b)(1) is amended by inserting  
2           “199A,” before “243(a)(1)”.

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

6           (4) Section 613A(d)(1) is amended by redesignig-  
7           nating subparagraphs (C), (D), and (E) as subpara-  
8           graphs (D), (E), and (F), respectively, and by insert-  
9           ing after subparagraph (B), the following new sub-  
10          paragraph:

11                       “(C) any deduction allowable under section  
12                       199A,”.

13          (5) Section 170(b)(2)(D) is amended by striking  
14          “and” in clause (iv), by striking the period at the end  
15          of clause (v), and by adding at the end the following  
16          new clause:

17                       “(vi) section 199A(g).”.

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

“Sec. 199A. Qualified business income.”.

21          (e) *EFFECTIVE DATE.*—The amendments made by this  
22          section shall apply to taxable years beginning after Decem-  
23          ber 31, 2017.

1 **SEC. 11012. LIMITATION ON LOSSES FOR TAXPAYERS**  
2 **OTHER THAN CORPORATIONS.**

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

5 “(l) *LIMITATION ON EXCESS BUSINESS LOSSES OF*  
6 *NONCORPORATE TAXPAYERS.*—

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

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

13 “(B) *any excess business loss of the tax-*  
14 *payer for the taxable year shall not be allowed.*

15 “(2) *DISALLOWED LOSS CARRYOVER.*—*Any loss*  
16 *which is disallowed under paragraph (1) shall be*  
17 *treated as a net operating loss carryover to the fol-*  
18 *lowing taxable year under section 172.*

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

21 “(A) *IN GENERAL.*—*The term ‘excess busi-*  
22 *ness loss’ means the excess (if any) of—*

23 “(i) *the aggregate deductions of the*  
24 *taxpayer for the taxable year which are at-*  
25 *tributable to trades or businesses of such*  
26 *taxpayer (determined without regard to*

1           *whether or not such deductions are dis-*  
2           *allowed for such taxable year under para-*  
3           *graph (1)), over*

4           “(i) *the sum of—*

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

9                   “(II) *\$250,000 (200 percent of*  
10                   *such amount in the case of a joint re-*  
11                   *turn).*

12           “(B) *ADJUSTMENT FOR INFLATION.—In the*  
13           *case of any taxable year beginning after Decem-*  
14           *ber 31, 2018, the \$250,000 amount in subpara-*  
15           *graph (A)(i)(II) shall be increased by an*  
16           *amount equal to—*

17                   “(i) *such dollar amount, multiplied by*

18                   “(ii) *the cost-of-living adjustment de-*  
19                   *termined under section 1(f)(3) for the cal-*  
20                   *endar year in which the taxable year be-*  
21                   *gins, determined by substituting ‘2017’ for*  
22                   *‘2016’ in subparagraph (A)(i) thereof.*

23           *If any amount as increased under the pre-*  
24           *ceding sentence is not a multiple of \$1,000,*

1           *such amount shall be rounded to the nearest*  
2           *multiple of \$1,000.*

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

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

8                   “(B) *each partner’s or shareholder’s allo-*  
9                   *cable share of the items of income, gain, deduc-*  
10                  *tion, or loss of the partnership or S corporation*  
11                  *for any taxable year from trades or businesses*  
12                  *attributable to the partnership or S corporation*  
13                  *shall be taken into account by the partner or*  
14                  *shareholder in applying this subsection to the*  
15                  *taxable year of such partner or shareholder with*  
16                  *or within which the taxable year of the partner-*  
17                  *ship or S corporation ends.*

18           *For purposes of this paragraph, in the case of an S*  
19           *corporation, an allocable share shall be the share-*  
20           *holder’s pro rata share of an item.*

21           “(5) *ADDITIONAL REPORTING.—The Secretary*  
22           *shall prescribe such additional reporting requirements*  
23           *as the Secretary determines necessary to carry out the*  
24           *purposes of this subsection.*





1           “(i) *ADJUSTMENT OF INCREASED*  
2           *AMOUNTS.*—*In the case of a taxable year be-*  
3           *ginning after 2018, the \$18,000 and*  
4           *\$12,000 amounts in subparagraph (A) shall*  
5           *each be increased by an amount equal to—*

6                     “(I) *such dollar amount, multi-*  
7                     *plied by*

8                     “(II) *the cost-of-living adjustment*  
9                     *determined under section 1(f)(3) for*  
10                    *the calendar year in which the taxable*  
11                    *year begins, determined by substituting*  
12                    *‘2017’ for ‘2016’ in subparagraph*  
13                    *(A)(ii) thereof.*

14           *If any increase under this clause is not a*  
15           *multiple of \$50, such increase shall be*  
16           *rounded to the next lowest multiple of*  
17           *\$50.”.*

18           (b) *EFFECTIVE DATE.*—*The amendment made by this*  
19           *section shall apply to taxable years beginning after Decem-*  
20           *ber 31, 2017.*

21           **SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD**  
22                     **TAX CREDIT.**

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

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

3               “(1) *IN GENERAL.*—*In the case of a taxable year*  
4 *beginning after December 31, 2017, and before Janu-*  
5 *ary 1, 2026, this section shall be applied as provided*  
6 *in paragraphs (2) through (7).*

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

9               “(3) *LIMITATION.*—*In lieu of the amount deter-*  
10 *mined under subsection (b)(2), the threshold amount*  
11 *shall be \$400,000 in the case of a joint return*  
12 *(\$200,000 in any other case).*

13               “(4) *PARTIAL CREDIT ALLOWED FOR CERTAIN*  
14 *OTHER DEPENDENTS.*—

15                       “(A) *IN GENERAL.*—*The credit determined*  
16 *under subsection (a) (after the application of*  
17 *paragraph (2)) shall be increased by \$500 for*  
18 *each dependent of the taxpayer (as defined in*  
19 *section 152) other than a qualifying child de-*  
20 *scribed in subsection (c).*

21                       “(B) *EXCEPTION FOR CERTAIN NONCITI-*  
22 *ZENS.*—*Subparagraph (A) shall not apply with*  
23 *respect to any individual who would not be a de-*  
24 *pendent if subparagraph (A) of section 152(b)(3)*

1           *were applied without regard to all that follows*  
2           *‘resident of the United States’.*

3           “(C) *CERTAIN QUALIFYING CHILDREN.—In*  
4           *the case of any qualifying child with respect to*  
5           *whom a credit is not allowed under this section*  
6           *by reason of paragraph (7), such child shall be*  
7           *treated as a dependent to whom subparagraph*  
8           *(A) applies.*

9           “(5) *MAXIMUM AMOUNT OF REFUNDABLE CRED-*  
10          *IT.—*

11           “(A) *IN GENERAL.—The amount determined*  
12           *under subsection (d)(1)(A) with respect to any*  
13           *qualifying child shall not exceed \$1,400, and*  
14           *such subsection shall be applied without regard*  
15           *to paragraph (4) of this subsection.*

16           “(B) *ADJUSTMENT FOR INFLATION.—In the*  
17           *case of a taxable year beginning after 2018, the*  
18           *\$1,400 amount in subparagraph (A) shall be in-*  
19           *creased by an amount equal to—*

20                   “(i) *such dollar amount, multiplied by*

21                   “(ii) *the cost-of-living adjustment de-*  
22                   *termined under section 1(f)(3) for the cal-*  
23                   *endar year in which the taxable year be-*  
24                   *gins, determined by substituting ‘2017’ for*  
25                   *‘2016’ in subparagraph (A)(ii) thereof.*

1           *If any increase under this clause is not a mul-*  
2           *tiiple of \$100, such increase shall be rounded to*  
3           *the next lowest multiple of \$100.*

4           “(6) *EARNED INCOME THRESHOLD FOR REFUND-*  
5           *ABLE CREDIT.*—*Subsection (d)(1)(B)(i) shall be ap-*  
6           *plied by substituting ‘\$2,500’ for ‘\$3,000’.*

7           “(7) *SOCIAL SECURITY NUMBER REQUIRED.*—*No*  
8           *credit shall be allowed under this section to a tax-*  
9           *payer with respect to any qualifying child unless the*  
10          *taxpayer includes the social security number of such*  
11          *child on the return of tax for the taxable year. For*  
12          *purposes of the preceding sentence, the term ‘social se-*  
13          *curity number’ means a social security number issued*  
14          *to an individual by the Social Security Administra-*  
15          *tion, but only if the social security number is*  
16          *issued—*

17                 “(A) *to a citizen of the United States or*  
18                 *pursuant to subclause (I) (or that portion of sub-*  
19                 *clause (III) that relates to subclause (I)) of sec-*  
20                 *tion 205(c)(2)(B)(i) of the Social Security Act,*  
21                 *and*

22                 “(B) *before the due date for such return.*”.

23          “(b) *EFFECTIVE DATE.*—*The amendment made by this*  
24          *section shall apply to taxable years beginning after Decem-*  
25          *ber 31, 2017.*

1 **SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARITABLE CONTRIBUTIONS.**  
2

3 (a) *IN GENERAL.*—Section 170(b)(1) is amended by  
4 redesignating subparagraph (G) as subparagraph (H) and  
5 by inserting after subparagraph (F) the following new sub-  
6 paragraph:

7 “(G) *INCREASED LIMITATION FOR CASH*  
8 *CONTRIBUTIONS.*—

9 “(i) *IN GENERAL.*—In the case of any  
10 contribution of cash to an organization de-  
11 scribed in subparagraph (A), the total  
12 amount of such contributions which may be  
13 taken into account under subsection (a) for  
14 any taxable year beginning after December  
15 31, 2017, and before January 1, 2026, shall  
16 not exceed 60 percent of the taxpayer’s con-  
17 tribution base for such year.

18 “(ii) *CARRYOVER.*—If the aggregate  
19 amount of contributions described in clause  
20 (i) exceeds the applicable limitation under  
21 clause (i) for any taxable year described in  
22 such clause, such excess shall be treated (in  
23 a manner consistent with the rules of sub-  
24 section (d)(1)) as a charitable contribution  
25 to which clause (i) applies in each of the 5  
26 succeeding years in order of time.

1                   “(iii) COORDINATION WITH SUBPARA-  
2                   GRAPHS (A) AND (B).—

3                   “(I) IN GENERAL.—Contributions  
4                   taken into account under this subpara-  
5                   graph shall not be taken into account  
6                   under subparagraph (A).

7                   “(II) LIMITATION REDUCTION.—  
8                   For each taxable year described in  
9                   clause (i), and each taxable year to  
10                  which any contribution under this sub-  
11                  paragraph is carried over under clause  
12                  (ii), subparagraph (A) shall be applied  
13                  by reducing (but not below zero) the  
14                  contribution limitation allowed for the  
15                  taxable year under such subparagraph  
16                  by the aggregate contributions allowed  
17                  under this subparagraph for such tax-  
18                  able year, and subparagraph (B) shall  
19                  be applied by treating any reference to  
20                  subparagraph (A) as a reference to  
21                  both subparagraph (A) and this sub-  
22                  paragraph.”.

23                  (b) EFFECTIVE DATE.—The amendment made by this  
24                  section shall apply to contributions in taxable years begin-  
25                  ning after December 31, 2017.

1 **SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE AC-**  
2 **COUNTS.**

3 *(a) INCREASE IN LIMITATION FOR CONTRIBUTIONS*  
4 *FROM COMPENSATION OF INDIVIDUALS WITH DISABIL-*  
5 *ITIES.—*

6 *(1) IN GENERAL.—Section 529A(b)(2)(B) is*  
7 *amended to read as follows:*

8 *“(B) except in the case of contributions*  
9 *under subsection (c)(1)(C), if such contribution*  
10 *to an ABLE account would result in aggregate*  
11 *contributions from all contributors to the ABLE*  
12 *account for the taxable year exceeding the sum*  
13 *of—*

14 *“(i) the amount in effect under section*  
15 *2503(b) for the calendar year in which the*  
16 *taxable year begins, plus*

17 *“(ii) in the case of any contribution by*  
18 *a designated beneficiary described in para-*  
19 *graph (7) before January 1, 2026, the lesser*  
20 *of—*

21 *“(I) compensation (as defined by*  
22 *section 219(f)(1)) includible in the des-*  
23 *ignated beneficiary’s gross income for*  
24 *the taxable year, or*

25 *“(II) an amount equal to the pov-*  
26 *erty line for a one-person household, as*



1                    *determined for the calendar year pre-*  
2                    *ceding the calendar year in which the*  
3                    *taxable year begins.”.*

4                    (2) *RESPONSIBILITY FOR CONTRIBUTION LIMITA-*  
5                    *TION.—Paragraph (2) of section 529A(b) is amended*  
6                    *by adding at the end the following: “A designated*  
7                    *beneficiary (or a person acting on behalf of such bene-*  
8                    *ficiary) shall maintain adequate records for purposes*  
9                    *of ensuring, and shall be responsible for ensuring,*  
10                   *that the requirements of subparagraph (B)(ii) are*  
11                   *met.”*

12                   (3) *ELIGIBLE DESIGNATED BENEFICIARY.—Sec-*  
13                   *tion 529A(b) is amended by adding at the end the fol-*  
14                   *lowing:*

15                   “(7) *SPECIAL RULES RELATED TO CONTRIBU-*  
16                   *TION LIMIT.—For purposes of paragraph (2)(B)(ii)—*

17                   “(A) *DESIGNATED BENEFICIARY.—A des-*  
18                   *ignated beneficiary described in this paragraph*  
19                   *is an employee (including an employee within*  
20                   *the meaning of section 401(c)) with respect to*  
21                   *whom—*

22                   “(i) *no contribution is made for the*  
23                   *taxable year to a defined contribution plan*  
24                   *(within the meaning of section 414(i)) with*

1                   *respect to which the requirements of section*  
2                   *401(a) or 403(a) are met,*

3                   *“(ii) no contribution is made for the*  
4                   *taxable year to an annuity contract de-*  
5                   *scribed in section 403(b), and*

6                   *“(iii) no contribution is made for the*  
7                   *taxable year to an eligible deferred com-*  
8                   *ensation plan described in section 457(b).*

9                   *“(B) POVERTY LINE.—The term ‘poverty*  
10                  *line’ has the meaning given such term by section*  
11                  *673 of the Community Services Block Grant Act*  
12                  *(42 U.S.C. 9902).”.*

13                  *(b) ALLOWANCE OF SAVER’S CREDIT FOR ABLE CON-*  
14                  *TRIBUTIONS BY ACCOUNT HOLDER.—Section 25B(d)(1) is*  
15                  *amended by striking “and” at the end of subparagraph*  
16                  *(B)(ii), by striking the period at the end of subparagraph*  
17                  *(C) and inserting “, and”, and by inserting at the end the*  
18                  *following:*

19                         *“(D) the amount of contributions made be-*  
20                         *fore January 1, 2026, by such individual to the*  
21                         *ABLE account (within the meaning of section*  
22                         *529A) of which such individual is the designated*  
23                         *beneficiary.”.*

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to taxable years beginning after the date*  
3 *of the enactment of this Act.*

4 **SEC. 11025. ROLLOVERS TO ABLE PROGRAMS FROM 529**  
5 **PROGRAMS.**

6       (a) *IN GENERAL.*—*Clause (i) of section 529(c)(3)(C)*  
7 *is amended by striking “or” at the end of subclause (I),*  
8 *by striking the period at the end of subclause (II) and in-*  
9 *serting “, or”, and by adding at the end the following:*

10                               *“(III) before January 1, 2026, to*  
11                               *an ABLE account (as defined in sec-*  
12                               *tion 529A(e)(6)) of the designated bene-*  
13                               *ficiary or a member of the family of*  
14                               *the designated beneficiary.*

15                               *Subclause (III) shall not apply to so much*  
16                               *of a distribution which, when added to all*  
17                               *other contributions made to the ABLE ac-*  
18                               *count for the taxable year, exceeds the limi-*  
19                               *tation under section 529A(b)(2)(B)(i).”.*

20       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
21 *section shall apply to distributions after the date of the en-*  
22 *actment of this Act.*

1 **SEC. 11026. TREATMENT OF CERTAIN INDIVIDUALS PER-**  
2 **FORMING SERVICES IN THE SINAI PENIN-**  
3 **SULA OF EGYPT.**

4 (a) *IN GENERAL.*—For purposes of the following provi-  
5 sions of the Internal Revenue Code of 1986, with respect  
6 to the applicable period, a qualified hazardous duty area  
7 shall be treated in the same manner as if it were a combat  
8 zone (as determined under section 112 of such Code):

9 (1) *Section 2(a)(3) (relating to special rule*  
10 *where deceased spouse was in missing status).*

11 (2) *Section 112 (relating to the exclusion of cer-*  
12 *tain combat pay of members of the Armed Forces).*

13 (3) *Section 692 (relating to income taxes of*  
14 *members of Armed Forces on death).*

15 (4) *Section 2201 (relating to members of the*  
16 *Armed Forces dying in combat zone or by reason of*  
17 *combat-zone-incurred wounds, etc.).*

18 (5) *Section 3401(a)(1) (defining wages relating*  
19 *to combat pay for members of the Armed Forces).*

20 (6) *Section 4253(d) (relating to the taxation of*  
21 *phone service originating from a combat zone from*  
22 *members of the Armed Forces).*

23 (7) *Section 6013(f)(1) (relating to joint return*  
24 *where individual is in missing status).*

1           (8) *Section 7508 (relating to time for performing*  
2           *certain acts postponed by reason of service in combat*  
3           *zone).*

4           **(b) QUALIFIED HAZARDOUS DUTY AREA.**—*For pur-*  
5           *poses of this section, the term “qualified hazardous duty*  
6           *area” means the Sinai Peninsula of Egypt, if as of the date*  
7           *of the enactment of this section any member of the Armed*  
8           *Forces of the United States is entitled to special pay under*  
9           *section 310 of title 37, United States Code (relating to spe-*  
10           *cial pay; duty subject to hostile fire or imminent danger),*  
11           *for services performed in such location. Such term includes*  
12           *such location only during the period such entitlement is in*  
13           *effect.*

14           **(c) APPLICABLE PERIOD.**—

15           **(1) IN GENERAL.**—*Except as provided in para-*  
16           *graph (2), the applicable period is—*

17                   **(A)** *the portion of the first taxable year end-*  
18                   *ing after June 9, 2015, which begins on such*  
19                   *date, and*

20                   **(B)** *any subsequent taxable year beginning*  
21                   *before January 1, 2026.*

22           **(2) WITHHOLDING.**—*In the case of subsection*  
23           **(a)(5), the applicable period is—**

1           (A) the portion of the first taxable year end-  
2           ing after the date of the enactment of this Act  
3           which begins on such date, and

4           (B) any subsequent taxable year beginning  
5           before January 1, 2026.

6           (d) *EFFECTIVE DATE.*—

7           (1) *IN GENERAL.*—Except as provided in para-  
8           graph (2), the provisions of this section shall take ef-  
9           fect on June 9, 2015.

10          (2) *WITHHOLDING.*—Subsection (a)(5) shall  
11          apply to remuneration paid after the date of the en-  
12          actment of this Act.

13   **SEC. 11027. TEMPORARY REDUCTION IN MEDICAL EXPENSE**  
14                           **DEDUCTION FLOOR.**

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

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

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

1           “(2) beginning after December 31, 2016, and  
2           ending before January 1, 2019, in the case of any  
3           taxpayer,  
4           subsection (a) shall be applied with respect to a taxpayer  
5           by substituting ‘7.5 percent’ for ‘10 percent.’”.

6           (b) *MINIMUM TAX PREFERENCE NOT TO APPLY.*—Sec-  
7           tion 56(b)(1)(B) is amended by adding at the end the fol-  
8           lowing new sentence:“This subparagraph shall not apply to  
9           taxable years beginning after December 31, 2016, and end-  
10          ing before January 1, 2019”.

11          (c) *EFFECTIVE DATE.*—The amendment made by this  
12          section shall apply to taxable years beginning after Decem-  
13          ber 31, 2016.

14          **SEC. 11028. RELIEF FOR 2016 DISASTER AREAS.**

15          (a) *IN GENERAL.*—For purposes of this section, the  
16          term “2016 disaster area” means any area with respect to  
17          which a major disaster has been declared by the President  
18          under section 401 of the Robert T. Stafford Disaster Relief  
19          and Emergency Assistance Act during calendar year 2016.

20          (b) *SPECIAL RULES FOR USE OF RETIREMENT FUNDS*  
21          *WITH RESPECT TO AREAS DAMAGED BY 2016 DISAS-*  
22          *TERS.*—

23                  (1) *TAX-FAVORED WITHDRAWALS FROM RETIRE-*  
24          *MENT PLANS.*—

1           (A) *IN GENERAL.*—Section 72(t) of the In-  
2           ternal Revenue Code of 1986 shall not apply to  
3           any qualified 2016 disaster distribution.

4           (B) *AGGREGATE DOLLAR LIMITATION.*—

5           (i) *IN GENERAL.*—For purposes of this  
6           subsection, the aggregate amount of dis-  
7           tributions received by an individual which  
8           may be treated as qualified 2016 disaster  
9           distributions for any taxable year shall not  
10          exceed the excess (if any) of—

11                   (I) \$100,000, over

12                   (II) the aggregate amounts treated  
13                   as qualified 2016 disaster distributions  
14                   received by such individual for all  
15                   prior taxable years.

16          (ii) *TREATMENT OF PLAN DISTRIBUTIONS.*—If a distribution to an individual  
17          would (without regard to clause (i)) be a  
18          qualified 2016 disaster distribution, a plan  
19          shall not be treated as violating any re-  
20          quirement of this title merely because the  
21          plan treats such distribution as a qualified  
22          2016 disaster distribution, unless the aggre-  
23          gate amount of such distributions from all  
24          plans maintained by the employer (and any  
25



1 member of any controlled group which in-  
2 cludes the employer) to such individual ex-  
3 ceeds \$100,000.

4 (iii) CONTROLLED GROUP.—For pur-  
5 poses of clause (ii), the term “controlled  
6 group” means any group treated as a single  
7 employer under subsection (b), (c), (m), or  
8 (o) of section 414 of the Internal Revenue  
9 Code of 1986.

10 (C) AMOUNT DISTRIBUTED MAY BE RE-  
11 PAID.—

12 (i) IN GENERAL.—Any individual who  
13 receives a qualified 2016 disaster distribu-  
14 tion may, at any time during the 3-year  
15 period beginning on the day after the date  
16 on which such distribution was received,  
17 make one or more contributions in an ag-  
18 gregate amount not to exceed the amount of  
19 such distribution to an eligible retirement  
20 plan of which such individual is a bene-  
21 ficiary and to which a rollover contribution  
22 of such distribution could be made under  
23 section 402(c), 403(a)(4), 403(b)(8),  
24 408(d)(3), or 457(e)(16) of the Internal Rev-  
25 enue Code of 1986, as the case may be.

1                   (ii) *TREATMENT OF REPAYMENTS OF*  
2                   *DISTRIBUTIONS FROM ELIGIBLE RETIRE-*  
3                   *MENT PLANS OTHER THAN IRAS.*—*For pur-*  
4                   *poses of the Internal Revenue Code of 1986,*  
5                   *if a contribution is made pursuant to clause*  
6                   *(i) with respect to a qualified 2016 disaster*  
7                   *distribution from an eligible retirement*  
8                   *plan other than an individual retirement*  
9                   *plan, then the taxpayer shall, to the extent*  
10                  *of the amount of the contribution, be treated*  
11                  *as having received the qualified 2016 dis-*  
12                  *aster distribution in an eligible rollover dis-*  
13                  *tribution (as defined in section 402(c)(4) of*  
14                  *the Internal Revenue Code of 1986) and as*  
15                  *having transferred the amount to the eligi-*  
16                  *ble retirement plan in a direct trustee to*  
17                  *trustee transfer within 60 days of the dis-*  
18                  *tribution.*

19                  (iii) *TREATMENT OF REPAYMENTS FOR*  
20                  *DISTRIBUTIONS FROM IRAS.*—*For purposes*  
21                  *of the Internal Revenue Code of 1986, if a*  
22                  *contribution is made pursuant to clause (i)*  
23                  *with respect to a qualified 2016 disaster*  
24                  *distribution from an individual retirement*  
25                  *plan (as defined by section 7701(a)(37) of*

1           *the Internal Revenue Code of 1986), then, to*  
2           *the extent of the amount of the contribution,*  
3           *the qualified 2016 disaster distribution*  
4           *shall be treated as a distribution described*  
5           *in section 408(d)(3) of such Code and as*  
6           *having been transferred to the eligible re-*  
7           *irement plan in a direct trustee to trustee*  
8           *transfer within 60 days of the distribution.*

9           (D) *DEFINITIONS.—For purposes of this*  
10          *paragraph—*

11           (i) *QUALIFIED 2016 DISASTER DIS-*  
12          *TRIBUTION.—Except as provided in sub-*  
13          *paragraph (B), the term “qualified 2016*  
14          *disaster distribution” means any distribu-*  
15          *tion from an eligible retirement plan made*  
16          *on or after January 1, 2016, and before*  
17          *January 1, 2018, to an individual whose*  
18          *principal place of abode at any time during*  
19          *calendar year 2016 was located in a dis-*  
20          *aster area described in subsection (a) and*  
21          *who has sustained an economic loss by rea-*  
22          *son of the events giving rise to the Presi-*  
23          *dential declaration described in subsection*  
24          *(a) which was applicable to such area.*

1                   (ii) *ELIGIBLE RETIREMENT PLAN.*—

2                   The term “eligible retirement plan” shall  
3                   have the meaning given such term by sec-  
4                   tion 402(c)(8)(B) of the Internal Revenue  
5                   Code of 1986.

6                   (E) *INCOME INCLUSION SPREAD OVER 3-*  
7                   *YEAR PERIOD.*—

8                   (i) *IN GENERAL.*—In the case of any  
9                   qualified 2016 disaster distribution, unless  
10                  the taxpayer elects not to have this subpara-  
11                  graph apply for any taxable year, any  
12                  amount required to be included in gross in-  
13                  come for such taxable year shall be so in-  
14                  cluded ratably over the 3-taxable-year pe-  
15                  riod beginning with such taxable year.

16                  (ii) *SPECIAL RULE.*—For purposes of  
17                  clause (i), rules similar to the rules of sub-  
18                  paragraph (E) of section 408A(d)(3) of the  
19                  Internal Revenue Code of 1986 shall apply.

20                  (F) *SPECIAL RULES.*—

21                  (i) *EXEMPTION OF DISTRIBUTIONS*  
22                  *FROM TRUSTEE TO TRUSTEE TRANSFER AND*  
23                  *WITHHOLDING RULES.*—For purposes of sec-  
24                  tions 401(a)(31), 402(f), and 3405 of the  
25                  Internal Revenue Code of 1986, qualified

1           2016 disaster distribution shall not be treat-  
2           ed as eligible rollover distributions.

3           (ii) *QUALIFIED 2016 DISASTER DIS-*  
4           *TRIBUTIONS TREATED AS MEETING PLAN*  
5           *DISTRIBUTION REQUIREMENTS.*—For pur-  
6           poses of the Internal Revenue Code of 1986,  
7           a qualified 2016 disaster distribution shall  
8           be treated as meeting the requirements of  
9           sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii),  
10          403(b)(11), and 457(d)(1)(A) of the Internal  
11          Revenue Code of 1986.

12          (2) *PROVISIONS RELATING TO PLAN AMEND-*  
13          *MENTS.*—

14           (A) *IN GENERAL.*—If this paragraph ap-  
15           plies to any amendment to any plan or annuity  
16           contract, such plan or contract shall be treated  
17           as being operated in accordance with the terms  
18           of the plan during the period described in sub-  
19           paragraph (B)(ii)(I).

20           (B) *AMENDMENTS TO WHICH SUBSECTION*  
21           *APPLIES.*—

22           (i) *IN GENERAL.*—This paragraph  
23           shall apply to any amendment to any plan  
24           or annuity contract which is made—

1                   (I) pursuant to any provision of  
2                   this section, or pursuant to any regula-  
3                   tion under any provision of this sec-  
4                   tion, and

5                   (II) on or before the last day of  
6                   the first plan year beginning on or  
7                   after January 1, 2018, or such later  
8                   date as the Secretary prescribes.

9                   In the case of a governmental plan (as de-  
10                  fined in section 414(d) of the Internal Rev-  
11                  enue Code of 1986), subclause (II) shall be  
12                  applied by substituting the date which is 2  
13                  years after the date otherwise applied under  
14                  subclause (II).

15               (ii) CONDITIONS.—This paragraph  
16               shall not apply to any amendment to a  
17               plan or contract unless such amendment  
18               applies retroactively for such period, and  
19               shall not apply to any such amendment un-  
20               less the plan or contract is operated as if  
21               such amendment were in effect during the  
22               period—

23                   (I) beginning on the date that this  
24                   section or the regulation described in  
25                   clause (i)(I) takes effect (or in the case

1                   of a plan or contract amendment not  
2                   required by this section or such regula-  
3                   tion, the effective date specified by the  
4                   plan), and

5                   (II) ending on the date described  
6                   in clause (i)(II) (or, if earlier, the date  
7                   the plan or contract amendment is  
8                   adopted).

9                   (c) *SPECIAL RULES FOR PERSONAL CASUALTY LOSSES*  
10                  *RELATED TO 2016 MAJOR DISASTER.*—

11                  (1) *IN GENERAL.*—*If an individual has a net*  
12                  *disaster loss for any taxable year beginning after De-*  
13                  *cember 31, 2015, and before January 1, 2018—*

14                  (A) *the amount determined under section*  
15                  *165(h)(2)(A)(ii) of the Internal Revenue Code of*  
16                  *1986 shall be equal to the sum of—*

17                  (i) *such net disaster loss, and*

18                  (ii) *so much of the excess referred to in*  
19                  *the matter preceding clause (i) of section*  
20                  *165(h)(2)(A) of such Code (reduced by the*  
21                  *amount in clause (i) of this subparagraph)*  
22                  *as exceeds 10 percent of the adjusted gross*  
23                  *income of the individual,*

24                  (B) *section 165(h)(1) of such Code shall be*  
25                  *applied by substituting “\$500” for “\$500 (\$100*

1           *for taxable years beginning after December 31,*  
2           *2009)*”,

3           *(C) the standard deduction determined*  
4           *under section 63(c) of such Code shall be in-*  
5           *creased by the net disaster loss, and*

6           *(D) section 56(b)(1)(E) of such Code shall*  
7           *not apply to so much of the standard deduction*  
8           *as is attributable to the increase under subpara-*  
9           *graph (C) of this paragraph.*

10          (2) *NET DISASTER LOSS.—For purposes of this*  
11          *subsection, the term “net disaster loss” means the ex-*  
12          *cess of qualified disaster-related personal casualty*  
13          *losses over personal casualty gains (as defined in sec-*  
14          *tion 165(h)(3)(A) of the Internal Revenue Code of*  
15          *1986).*

16          (3) *QUALIFIED DISASTER-RELATED PERSONAL*  
17          *CASUALTY LOSSES.—For purposes of this paragraph,*  
18          *the term “qualified disaster-related personal casualty*  
19          *losses” means losses described in section 165(c)(3) of*  
20          *the Internal Revenue Code of 1986 which arise in a*  
21          *disaster area described in subsection (a) on or after*  
22          *January 1, 2016, and which are attributable to the*  
23          *events giving rise to the Presidential declaration de-*  
24          *scribed in subsection (a) which was applicable to such*  
25          *area.*



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**PART IV—EDUCATION**

**SEC. 11031. TREATMENT OF STUDENT LOANS DISCHARGED  
ON ACCOUNT OF DEATH OR DISABILITY.**

*(a) IN GENERAL.—Section 108(f) is amended by adding at the end the following new paragraph:*

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

*“(A) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reasons of the discharge (in whole or in part) of any loan described in subparagraph (B) after December 31, 2017, and before January 1, 2026, if such discharge was—*

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

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

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

1           “(B) *LOANS DESCRIBED.*—A loan is de-  
2           scribed in this subparagraph if such loan is—

3                   “(i) a student loan (as defined in  
4                   paragraph (2)), or

5                   “(ii) a private education loan (as de-  
6                   fined in section 140(7) of the Consumer  
7                   Credit Protection Act (15 U.S.C.  
8                   1650(7))).”.

9           (b) *EFFECTIVE DATE.*—The amendment made by this  
10          section shall apply to discharges of indebtedness after De-  
11          cember 31, 2017.

12          **SEC. 11032. 529 ACCOUNT FUNDING FOR ELEMENTARY AND**  
13                   **SECONDARY EDUCATION.**

14          (a) *IN GENERAL.*—

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

17                           “(7) *TREATMENT OF ELEMENTARY AND SEC-*  
18                   *ONDARY TUITION.*—Any reference in this subsection to  
19                   the term ‘qualified higher education expense’ shall in-  
20                   clude a reference to expenses for tuition in connection  
21                   with enrollment or attendance at an elementary or  
22                   secondary public, private, or religious school.”.

23                   (2) *LIMITATION.*—Section 529(e)(3)(A) is  
24          amended by adding at the end the following: “The  
25          amount of cash distributions from all qualified tui-

1     *tion programs described in subsection (b)(1)(A)(ii)*  
 2     *with respect to a beneficiary during any taxable year*  
 3     *shall, in the aggregate, include not more than \$10,000*  
 4     *in expenses described in subsection (c)(7) incurred*  
 5     *during the taxable year.”.*

6     ***(b) EFFECTIVE DATE.***—*The amendments made by this*  
 7     *section shall apply to distributions made after December 31,*  
 8     *2017.*

9             ***PART V—DEDUCTIONS AND EXCLUSIONS***

10    ***SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL***  
 11             ***EXEMPTIONS.***

12             ***(a) IN GENERAL.***—*Subsection (d) of section 151 is*  
 13     *amended—*

14                 ***(1)*** *by striking “In the case of” in paragraph (4)*  
 15             *and inserting “Except as provided in paragraph (5),*  
 16             *in the case of”, and*

17                 ***(2)*** *by adding at the end the following new para-*  
 18             *graph:*

19                     ***(5) SPECIAL RULES FOR TAXABLE YEARS 2018***  
 20             ***THROUGH 2025.***—*In the case of a taxable year begin-*  
 21             *ning after December 31, 2017, and before January 1,*  
 22             *2026—*

23                             ***(A) EXEMPTION AMOUNT.***—*The term ‘ex-*  
 24             *emption amount’ means zero.*

1           “(B) REFERENCES.—For purposes of any  
2 other provision of this title, the reduction of the  
3 exemption amount to zero under subparagraph  
4 (A) shall not be taken into account in deter-  
5 mining whether a deduction is allowed or allow-  
6 able, or whether a taxpayer is entitled to a de-  
7 duction, under this section.”.

8           (b) APPLICATION TO ESTATES AND TRUSTS.—Section  
9 642(b)(2)(C) is amended by adding at the end the following  
10 new clause:

11                           “(iii) YEARS WHEN PERSONAL EXEMP-  
12 TION AMOUNT IS ZERO.—

13                                   “(I) IN GENERAL.—In the case of  
14 any taxable year in which the exemp-  
15 tion amount under section 151(d) is  
16 zero, clause (i) shall be applied by sub-  
17 stituting ‘\$4,150’ for ‘the exemption  
18 amount under section 151(d)’.

19                                   “(II) INFLATION ADJUSTMENT.—  
20 In the case of any taxable year begin-  
21 ning in a calendar year after 2018, the  
22 \$4,150 amount in subparagraph (A)  
23 shall be increased in the same manner  
24 as provided in section 6334(d)(4)(C).”.

25           (c) MODIFICATION OF WAGE WITHHOLDING RULES.—

1           (1) *IN GENERAL.*—Section 3402(a)(2) is amend-  
2           ed by striking “means the amount” and all that fol-  
3           lows and inserting “means the amount by which the  
4           wages exceed the taxpayer’s withholding allowance,  
5           prorated to the payroll period.”.

6           (2) *CONFORMING AMENDMENTS.*—

7           (A) Section 3401 is amended by striking  
8           subsection (e).

9           (B) Paragraphs (1) and (2) of section  
10          3402(f) are amended to read as follows:

11          “(1) *IN GENERAL.*—Under rules determined by  
12          the Secretary, an employee receiving wages shall on  
13          any day be entitled to a withholding allowance deter-  
14          mined based on—

15                 “(A) whether the employee is an individual  
16                 for whom a deduction is allowable with respect  
17                 to another taxpayer under section 151;

18                 “(B) if the employee is married, whether the  
19                 employee’s spouse is entitled to an allowance, or  
20                 would be so entitled if such spouse were an em-  
21                 ployee receiving wages, under subparagraph (A)  
22                 or (D), but only if such spouse does not have in  
23                 effect a withholding allowance certificate claim-  
24                 ing such allowance;

1           “(C) *the number of individuals with respect*  
2 *to whom, on the basis of facts existing at the be-*  
3 *ginning of such day, there may reasonably be ex-*  
4 *pected to be allowable a credit under section*  
5 *24(a) for the taxable year under subtitle A in re-*  
6 *spect of which amounts deducted and withheld*  
7 *under this chapter in the calendar year in which*  
8 *such day falls are allowed as a credit;*

9           “(D) *any additional amounts to which the*  
10 *employee elects to take into account under sub-*  
11 *section (m), but only if the employee’s spouse*  
12 *does not have in effect a withholding allowance*  
13 *certificate making such an election;*

14           “(E) *the standard deduction allowable to*  
15 *such employee (one-half of such standard deduc-*  
16 *tion in the case of an employee who is married*  
17 *(as determined under section 7703) and whose*  
18 *spouse is an employee receiving wages subject to*  
19 *withholding); and*

20           “(F) *whether the employee has withholding*  
21 *allowance certificates in effect with respect to*  
22 *more than 1 employer.*

23           “(2) *ALLOWANCE CERTIFICATES.—*

24           “(A) *ON COMMENCEMENT OF EMPLOY-*  
25 *MENT.—On or before the date of the commence-*

1           *ment of employment with an employer, the em-*  
2           *ployee shall furnish the employer with a signed*  
3           *withholding allowance certificate relating to the*  
4           *withholding allowance claimed by the employee,*  
5           *which shall in no event exceed the amount to*  
6           *which the employee is entitled.*

7           “(B) *CHANGE OF STATUS.*—*If, on any day*  
8           *during the calendar year, an employee’s with-*  
9           *holding allowance is in excess of the withholding*  
10           *allowance to which the employee would be enti-*  
11           *tled had the employee submitted a true and accu-*  
12           *rate withholding allowance certificate to the em-*  
13           *ployer on that day, the employee shall within 10*  
14           *days thereafter furnish the employer with a new*  
15           *withholding allowance certificate. If, on any day*  
16           *during the calendar year, an employee’s with-*  
17           *holding allowance is greater than the with-*  
18           *holding allowance claimed, the employee may*  
19           *furnish the employer with a new withholding al-*  
20           *lowance certificate relating to the withholding al-*  
21           *lowance to which the employee is so entitled,*  
22           *which shall in no event exceed the amount to*  
23           *which the employee is entitled on such day.*

24           “(C) *CHANGE OF STATUS WHICH AFFECTS*  
25           *NEXT CALENDAR YEAR.*—*If on any day during*

1           *the calendar year the withholding allowance to*  
2           *which the employee will be, or may reasonably be*  
3           *expected to be, entitled at the beginning of the*  
4           *employee's next taxable year under subtitle A is*  
5           *different from the allowance to which the em-*  
6           *ployee is entitled on such day, the employee*  
7           *shall, in such cases and at such times as the Sec-*  
8           *retary shall by regulations prescribe, furnish the*  
9           *employer with a withholding allowance certifi-*  
10          *cate relating to the withholding allowance which*  
11          *the employee claims with respect to such next*  
12          *taxable year, which shall in no event exceed the*  
13          *withholding allowance to which the employee*  
14          *will be, or may reasonably be expected to be, so*  
15          *entitled.”.*

16           *(C) Subsections (b)(1), (b)(2), (f)(3), (f)(4),*  
17          *(f)(5), (f)(7) (including the heading thereof),*  
18          *(g)(4), (l)(1), (l)(2), and (n) of section 3402 are*  
19          *each amended by striking “exemption” each*  
20          *place it appears and inserting “allowance”.*

21           *(D) The heading of section 3402(f) is*  
22          *amended by striking “EXEMPTIONS” and insert-*  
23          *ing “ALLOWANCE”.*

24           *(E) Section 3402(m) is amended by striking*  
25          *“additional withholding allowances or addi-*



1            *tional reductions in withholding under this sub-*  
 2            *section. In determining the number of additional*  
 3            *withholding allowances” and inserting “an addi-*  
 4            *tional withholding allowance or additional re-*  
 5            *ductions in withholding under this subsection. In*  
 6            *determining the additional withholding allow-*  
 7            *ance”.*

8            *(F) Paragraphs (3) and (4) of section*  
 9            *3405(a) (and the heading for such paragraph*  
 10           *(4)) are each amended by striking “exemption”*  
 11           *each place it appears and inserting “allowance”.*

12           *(G) Section 3405(a)(4) is amended by strik-*  
 13           *ing “shall be determined” and all that follows*  
 14           *through “3 withholding exemptions” and insert-*  
 15           *ing “shall be determined under rules prescribed*  
 16           *by the Secretary”.*

17           *(d) EXCEPTION FOR DETERMINING PROPERTY EX-*  
 18           *EMPT FROM LEVY.—Section 6334(d) is amended by adding*  
 19           *at the end the following new paragraph:*

20           *“(4) YEARS WHEN PERSONAL EXEMPTION*  
 21           *AMOUNT IS ZERO.—*

22           *“(A) IN GENERAL.—In the case of any tax-*  
 23           *able year in which the exemption amount under*  
 24           *section 151(d) is zero, paragraph (2) shall not*  
 25           *apply and for purposes of paragraph (1) the*

1 term ‘exempt amount’ means an amount equal  
2 to—

3 “(i) the sum of the amount determined  
4 under subparagraph (B) and the standard  
5 deduction, divided by

6 “(ii) 52.

7 “(B) AMOUNT DETERMINED.—For purposes  
8 of subparagraph (A), the amount determined  
9 under this subparagraph is \$4,150 multiplied by  
10 the number of the taxpayer’s dependents for the  
11 taxable year in which the levy occurs.

12 “(C) INFLATION ADJUSTMENT.—In the case  
13 of any taxable year beginning in a calendar year  
14 after 2018, the \$4,150 amount in subparagraph  
15 (B) shall be increased by an amount equal to—

16 “(i) such dollar amount, multiplied by

17 “(ii) the cost-of-living adjustment de-  
18 termined under section 1(f)(3) for the cal-  
19 endar year in which the taxable year be-  
20 gins, determined by substituting ‘2017’ for  
21 ‘2016’ in subparagraph (A)(ii) thereof.

22 If any increase determined under the preceding  
23 sentence is not a multiple of \$100, such increase  
24 shall be rounded to the next lowest multiple of  
25 \$100.

1           “(D) *VERIFIED STATEMENT.*—*Unless the*  
2           *taxpayer submits to the Secretary a written and*  
3           *properly verified statement specifying the facts*  
4           *necessary to determine the proper amount under*  
5           *subparagraph (A), subparagraph (A) shall be ap-*  
6           *plied as if the taxpayer were a married indi-*  
7           *vidual filing a separate return with no depend-*  
8           *ents.”.*

9           (e) *PERSONS REQUIRED TO MAKE RETURNS OF IN-*  
10          *COME.*—*Section 6012 is amended by adding at the end the*  
11          *following new subsection:*

12          “(f) *SPECIAL RULE FOR TAXABLE YEARS 2018*  
13          *THROUGH 2025.*—*In the case of a taxable year beginning*  
14          *after December 31, 2017, and before January 1, 2026, sub-*  
15          *section (a)(1) shall not apply, and every individual who*  
16          *has gross income for the taxable year shall be required to*  
17          *make returns with respect to income taxes under subtitle*  
18          *A, except that a return shall not be required of—*

19                  “(1) *an individual who is not married (deter-*  
20                  *mined by applying section 7703) and who has gross*  
21                  *income for the taxable year which does not exceed the*  
22                  *standard deduction applicable to such individual for*  
23                  *such taxable year under section 63, or*

24                  “(2) *an individual entitled to make a joint re-*  
25                  *turn if—*

1           “(A) the gross income of such individual,  
2           when combined with the gross income of such in-  
3           dividual’s spouse, for the taxable year does not  
4           exceed the standard deduction which would be  
5           applicable to the taxpayer for such taxable year  
6           under section 63 if such individual and such in-  
7           dividual’s spouse made a joint return,

8           “(B) such individual and such individual’s  
9           spouse have the same household as their home at  
10          the close of the taxable year,

11          “(C) such individual’s spouse does not make  
12          a separate return, and

13          “(D) neither such individual nor such indi-  
14          vidual’s spouse is an individual described in sec-  
15          tion 63(c)(5) who has income (other than earned  
16          income) in excess of the amount in effect under  
17          section 63(c)(5)(A).”.

18          (f) *EFFECTIVE DATE.*—

19               (1) *IN GENERAL.*—Except as provided in para-  
20               graph (2), the amendments made by this section shall  
21               apply to taxable years beginning after December 31,  
22               2017.

23               (2) *WAGE WITHHOLDING.*—The Secretary of the  
24               Treasury may administer section 3402 for taxable  
25               years beginning before January 1, 2019, without re-

1       *gard to the amendments made by subsections (a) and*  
2       *(c).*

3       **SEC. 11042. LIMITATION ON DEDUCTION FOR STATE AND**  
4               **LOCAL, ETC. TAXES.**

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

7               “(6) *LIMITATION ON INDIVIDUAL DEDUCTIONS*  
8       *FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case*  
9       *of an individual and a taxable year beginning after*  
10       *December 31, 2017, and before January 1, 2026—*

11               “(A) *foreign real property taxes shall not be*  
12       *taken into account under subsection (a)(1), and*

13               “(B) *the aggregate amount of taxes taken*  
14       *into account under paragraphs (1), (2), and (3)*  
15       *of subsection (a) and paragraph (5) of this sub-*  
16       *section for any taxable year shall not exceed*  
17       *\$10,000 (\$5,000 in the case of a married indi-*  
18       *vidual filing a separate return).*

19       *The preceding sentence shall not apply to any foreign*  
20       *taxes described in subsection (a)(3) or to any taxes*  
21       *described in paragraph (1) and (2) of subsection (a)*  
22       *which are paid or accrued in carrying on a trade or*  
23       *business or an activity described in section 212. For*  
24       *purposes of subparagraph (B), an amount paid in a*  
25       *taxable year beginning before January 1, 2018, with*

1       *respect to a State or local income tax imposed for a*  
 2       *taxable year beginning after December 31, 2017, shall*  
 3       *be treated as paid on the last day of the taxable year*  
 4       *for which such tax is so imposed.”.*

5       ***(b) EFFECTIVE DATE.***—*The amendment made by this*  
 6       *section shall apply to taxable years beginning after Decem-*  
 7       *ber 31, 2016.*

8       **SEC. 11043. LIMITATION ON DEDUCTION FOR QUALIFIED**  
 9               **RESIDENCE INTEREST.**

10       ***(a) IN GENERAL.***—*Section 163(h)(3) is amended by*  
 11       *adding at the end the following new subparagraph:*

12                       ***(F) SPECIAL RULES FOR TAXABLE YEARS***  
 13               ***2018 THROUGH 2025.***—

14                       ***(i) IN GENERAL.***—*In the case of tax-*  
 15               *able years beginning after December 31,*  
 16               *2017, and before January 1, 2026—*

17                               ***(I) DISALLOWANCE OF HOME EQ-***  
 18                       ***UITY INDEBTEDNESS INTEREST.***—*Sub-*  
 19                       *paragraph (A)(i) shall not apply.*

20                               ***(II) LIMITATION ON ACQUISITION***  
 21                       ***INDEBTEDNESS.***—*Subparagraph*  
 22                       ***(B)(i) shall be applied by substituting***  
 23                       ***‘\$750,000 (\$375,000’ for ‘\$1,000,000***  
 24                       ***(\$500,000’.***

1                   “(III) *TREATMENT OF INDEBTED-*  
2                   *NESS INCURRED ON OR BEFORE DE-*  
3                   *CEMBER 15, 2017.*—Subclause (II) shall  
4                   *not apply to any indebtedness incurred*  
5                   *on or before December 15, 2017, and,*  
6                   *in applying such subclause to any in-*  
7                   *debtedness incurred after such date, the*  
8                   *limitation under such subclause shall*  
9                   *be reduced (but not below zero) by the*  
10                  *amount of any indebtedness incurred*  
11                  *on or before December 15, 2017, which*  
12                  *is treated as acquisition indebtedness*  
13                  *for purposes of this subsection for the*  
14                  *taxable year.*

15                   “(IV) *BINDING CONTRACT EXCEP-*  
16                   *TION.*—In the case of a taxpayer who  
17                   *enters into a written binding contract*  
18                   *before December 15, 2017, to close on*  
19                   *the purchase of a principal residence*  
20                   *before January 1, 2018, and who pur-*  
21                   *chases such residence before April 1,*  
22                   *2018, subclause (III) shall be applied*  
23                   *by substituting ‘April 1, 2018’ for ‘De-*  
24                   *cember 15, 2017’.*

1           “(i) *TREATMENT OF LIMITATION IN*  
2           *TAXABLE YEARS AFTER DECEMBER 31,*  
3           *2025.—In the case of taxable years begin-*  
4           *ning after December 31, 2025, the limita-*  
5           *tion under subparagraph (B)(ii) shall be*  
6           *applied to the aggregate amount of indebt-*  
7           *edness of the taxpayer described in subpara-*  
8           *graph (B)(i) without regard to the taxable*  
9           *year in which the indebtedness was in-*  
10          *curring.*

11          “(iii) *TREATMENT OF REFINANCINGS*  
12          *OF INDEBTEDNESS.—*

13                 “(I) *IN GENERAL.—In the case of*  
14                 *any indebtedness which is incurred to*  
15                 *refinance indebtedness, such refinanced*  
16                 *indebtedness shall be treated for pur-*  
17                 *poses of clause (i)(III) as incurred on*  
18                 *the date that the original indebtedness*  
19                 *was incurred to the extent the amount*  
20                 *of the indebtedness resulting from such*  
21                 *refinancing does not exceed the amount*  
22                 *of the refinanced indebtedness.*

23                 “(II) *LIMITATION ON PERIOD OF*  
24                 *REFINANCING.—Subclause (I) shall not*  
25                 *apply to any indebtedness after the ex-*



1                    *piration of the term of the original in-*  
2                    *debtedness or, if the principal of such*  
3                    *original indebtedness is not amortized*  
4                    *over its term, the expiration of the*  
5                    *term of the 1st refinancing of such in-*  
6                    *debtedness (or if earlier, the date which*  
7                    *is 30 years after the date of such 1st*  
8                    *refinancing).*

9                    *“(iv) COORDINATION WITH EXCLUSION*  
10                    *OF INCOME FROM DISCHARGE OF INDEBT-*  
11                    *EDNESS.—Section 108(h)(2) shall be ap-*  
12                    *plied without regard to this subpara-*  
13                    *graph.”.*

14                    *(b) EFFECTIVE DATE.—The amendments made by this*  
15                    *section shall apply to taxable years beginning after Decem-*  
16                    *ber 31, 2017.*

17                    **SEC. 11044. MODIFICATION OF DEDUCTION FOR PERSONAL**  
18                    **CASUALTY LOSSES.**

19                    *(a) IN GENERAL.—Subsection (h) of section 165 is*  
20                    *amended by adding at the end the following new paragraph:*

21                    *“(5) LIMITATION FOR TAXABLE YEARS 2018*  
22                    *THROUGH 2025.—*

23                    *“(A) IN GENERAL.—In the case of an indi-*  
24                    *vidual, except as provided in subparagraph (B),*  
25                    *any personal casualty loss which (but for this*

1           *paragraph) would be deductible in a taxable*  
2           *year beginning after December 31, 2017, and be-*  
3           *fore January 1, 2026, shall be allowed as a de-*  
4           *duction under subsection (a) only to the extent it*  
5           *is attributable to a Federally declared disaster*  
6           *(as defined in subsection (i)(5)).*

7           “(B) *EXCEPTION RELATED TO PERSONAL*  
8           *CASUALTY GAINS.—If a taxpayer has personal*  
9           *casualty gains for any taxable year to which*  
10          *subparagraph (A) applies—*

11            “(i) *subparagraph (A) shall not apply*  
12            *to the portion of the personal casualty loss*  
13            *not attributable to a Federally declared dis-*  
14            *aster (as so defined) to the extent such loss*  
15            *does not exceed such gains, and*

16            “(ii) *in applying paragraph (2) for*  
17            *purposes of subparagraph (A) to the portion*  
18            *of personal casualty loss which is so attrib-*  
19            *utable to such a disaster, the amount of per-*  
20            *sonal casualty gains taken into account*  
21            *under paragraph (2)(A) shall be reduced by*  
22            *the portion of such gains taken into account*  
23            *under clause (i).”.*

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 2 *section shall apply to losses incurred in taxable years begin-*  
 3 *ning after December 31, 2017.*

4 **SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED**  
 5 **DEDUCTIONS.**

6       (a) *IN GENERAL.*—*Section 67 is amended by adding*  
 7 *at the end the following new subsection:*

8       “(g) *SUSPENSION FOR TAXABLE YEARS 2018*  
 9 *THROUGH 2025.*—*Notwithstanding subsection (a), no mis-*  
 10 *cellaneous itemized deduction shall be allowed for any tax-*  
 11 *able year beginning after December 31, 2017, and before*  
 12 *January 1, 2026.”.*

13       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 14 *section shall apply to taxable years beginning after Decem-*  
 15 *ber 31, 2017.*

16 **SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON**  
 17 **ITEMIZED DEDUCTIONS.**

18       (a) *IN GENERAL.*—*Section 68 is amended by adding*  
 19 *at the end the following new subsection:*

20       “(f) *SECTION NOT TO APPLY.*—*This section shall not*  
 21 *apply to any taxable year beginning after December 31,*  
 22 *2017, and before January 1, 2026.”.*

23       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 24 *section shall apply to taxable years beginning after Decem-*  
 25 *ber 31, 2017.*

1 **SEC. 11047. SUSPENSION OF EXCLUSION FOR QUALIFIED BI-**  
2 **CYCLE COMMUTING REIMBURSEMENT.**

3 (a) *IN GENERAL.*—Section 132(f) is amended by add-  
4 *ing at the end the following new paragraph:*

5 “(8) *SUSPENSION OF QUALIFIED BICYCLE COM-*  
6 *MUTING REIMBURSEMENT EXCLUSION.*—Paragraph  
7 (1)(D) shall not apply to any taxable year beginning  
8 after December 31, 2017, and before January 1,  
9 2026.”.

10 (b) *EFFECTIVE DATE.*—The amendment made by this  
11 section shall apply to taxable years beginning after Decem-  
12 ber 31, 2017.

13 **SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED**  
14 **MOVING EXPENSE REIMBURSEMENT.**

15 (a) *IN GENERAL.*—Section 132(g) is amended—

16 (1) by striking “For purposes of this section, the  
17 term” and inserting “For purposes of this section—

18 “(1) *IN GENERAL.*—The term”, and

19 (2) by adding at the end the following new para-  
20 graph:

21 “(2) *SUSPENSION FOR TAXABLE YEARS 2018*  
22 *THROUGH 2025.*—Except in the case of a member of  
23 the Armed Forces of the United States on active duty  
24 who moves pursuant to a military order and incident  
25 to a permanent change of station, subsection (a)(6)

1       *shall not apply to any taxable year beginning after*  
2       *December 31, 2017, and before January 1, 2026.”.*

3       **(b) EFFECTIVE DATE.**—*The amendments made by this*  
4       *section shall apply to taxable years beginning after Decem-*  
5       *ber 31, 2017.*

6       **SEC. 11049. SUSPENSION OF DEDUCTION FOR MOVING EX-**  
7               **PENSES.**

8       **(a) IN GENERAL.**—*Section 217 is amended by adding*  
9       *at the end the following new subsection:*

10       **“(k) SUSPENSION OF DEDUCTION FOR TAXABLE**  
11       **YEARS 2018 THROUGH 2025.**—*Except in the case of an in-*  
12       *dividual to whom subsection (g) applies, this section shall*  
13       *not apply to any taxable year beginning after December*  
14       *31, 2017, and before January 1, 2026.”.*

15       **(b) EFFECTIVE DATE.**—*The amendment made by this*  
16       *section shall apply to taxable years beginning after Decem-*  
17       *ber 31, 2017.*

18       **SEC. 11050. LIMITATION ON WAGERING LOSSES.**

19       **(a) IN GENERAL.**—*Section 165(d) is amended by add-*  
20       *ing at the end the following: “For purposes of the preceding*  
21       *sentence, in the case of taxable years beginning after Decem-*  
22       *ber 31, 2017, and before January 1, 2026, the term ‘losses*  
23       *from wagering transactions’ includes any deduction other-*  
24       *wise allowable under this chapter incurred in carrying on*  
25       *any wagering transaction.”.*

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
2 *section shall apply to taxable years beginning after Decem-*  
3 *ber 31, 2017.*

4 **SEC. 11051. REPEAL OF DEDUCTION FOR ALIMONY PAY-**  
5 **MENTS.**

6       (a) *IN GENERAL.*—*Part VII of subchapter B is amend-*  
7 *ed by striking by striking section 215 (and by striking the*  
8 *item relating to such section in the table of sections for such*  
9 *subpart).*

10      (b) *CONFORMING AMENDMENTS.*—

11           (1) *CORRESPONDING REPEAL OF PROVISIONS*  
12 *PROVIDING FOR INCLUSION OF ALIMONY IN GROSS IN-*  
13 *COME.*—

14           (A) *Subsection (a) of section 61 is amended*  
15 *by striking paragraph (8) and by redesignating*  
16 *paragraphs (9) through (15) as paragraphs (8)*  
17 *through (14), respectively.*

18           (B) *Part II of subchapter B of chapter 1 is*  
19 *amended by striking section 71 (and by striking*  
20 *the item relating to such section in the table of*  
21 *sections for such part).*

22           (C) *Subpart F of part I of subchapter J of*  
23 *chapter 1 is amended by striking section 682*  
24 *(and by striking the item relating to such section*  
25 *in the table of sections for such subpart).*

1           (2) *RELATED TO REPEAL OF SECTION 215.—*

2           (A) *Section 62(a) is amended by striking*  
3 *paragraph (10).*

4           (B) *Section 3402(m)(1) is amended by*  
5 *striking “(other than paragraph (10) thereof)”.*

6           (C) *Section 6724(d)(3) is amended by strik-*  
7 *ing subparagraph (C) and by redesignating sub-*  
8 *paragraph (D) as subparagraph (C).*

9           (3) *RELATED TO REPEAL OF SECTION 71.—*

10          (A) *Section 121(d)(3) is amended—*

11           (i) *by striking “(as defined in section*  
12 *71(b)(2))” in subparagraph (B), and*

13           (ii) *by adding at the end the following*  
14 *new subparagraph:*

15           “(C) *DIVORCE OR SEPARATION INSTRU-*  
16 *MENT.—For purposes of this paragraph, the*  
17 *term ‘divorce or separation instrument’ means—*

18           “(i) *a decree of divorce or separate*  
19 *maintenance or a written instrument inci-*  
20 *dent to such a decree,*

21           “(ii) *a written separation agreement,*

22           *or*

23           “(iii) *a decree (not described in clause*  
24 *(i)) requiring a spouse to make payments*

1           *for the support or maintenance of the other*  
2           *spouse.”.*

3           *(B) Section 152(d)(5) is amended to read as*  
4           *follows:*

5           “(5) *SPECIAL RULES FOR SUPPORT.—*

6           “(A) *IN GENERAL.—For purposes of this*  
7           *subsection—*

8                   “(i) *payments to a spouse of alimony*  
9                   *or separate maintenance payments shall not*  
10                  *be treated as a payment by the payor*  
11                  *spouse for the support of any dependent,*  
12                  *and*

13                   “(ii) *in the case of the remarriage of a*  
14                  *parent, support of a child received from the*  
15                  *parent’s spouse shall be treated as received*  
16                  *from the parent.*

17           “(B) *ALIMONY OR SEPARATE MAINTENANCE*  
18           *PAYMENT.—For purposes of subparagraph (A),*  
19           *the term ‘alimony or separate maintenance pay-*  
20           *ment’ means any payment in cash if—*

21                   “(i) *such payment is received by (or on*  
22                   *behalf of) a spouse under a divorce or sepa-*  
23                   *ration instrument (as defined in section*  
24                   *121(d)(3)(C)),*



1           “(ii) in the case of an individual le-  
2           gally separated from the individual’s spouse  
3           under a decree of divorce or of separate  
4           maintenance, the payee spouse and the  
5           payor spouse are not members of the same  
6           household at the time such payment is  
7           made, and

8           “(iii) there is no liability to make any  
9           such payment for any period after the death  
10          of the payee spouse and there is no liability  
11          to make any payment (in cash or property)  
12          as a substitute for such payments after the  
13          death of the payee spouse.”.

14          (C) Section 219(f)(1) is amended by strik-  
15          ing the third sentence.

16          (D) Section 220(f)(7) is amended by strik-  
17          ing “subparagraph (A) of section 71(b)(2)” and  
18          inserting “clause (i) of section 121(d)(3)(C)”.

19          (E) Section 223(f)(7) is amended by strik-  
20          ing “subparagraph (A) of section 71(b)(2)” and  
21          inserting “clause (i) of section 121(d)(3)(C)”.

22          (F) Section 382(l)(3)(B)(iii) is amended by  
23          striking “section 71(b)(2)” and inserting “sec-  
24          tion 121(d)(3)(C)”.

1           (G) Section 408(d)(6) is amended by strik-  
2           ing “subparagraph (A) of section 71(b)(2)” and  
3           inserting “clause (i) of section 121(d)(3)(C)”.

4           (4) *ADDITIONAL CONFORMING AMENDMENTS.*—  
5           Section 7701(a)(17) is amended—

6           (A) by striking “sections 682 and 2516”  
7           and inserting “section 2516”, and

8           (B) by striking “such sections” each place it  
9           appears and inserting “such section”.

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

12           (1) any divorce or separation instrument (as de-  
13           fined in section 71(b)(2) of the Internal Revenue Code  
14           of 1986 as in effect before the date of the enactment  
15           of this Act) executed after December 31, 2018, and

16           (2) any divorce or separation instrument (as so  
17           defined) executed on or before such date and modified  
18           after such date if the modification expressly provides  
19           that the amendments made by this section apply to  
20           such modification.

1 **PART VI—INCREASE IN ESTATE AND GIFT TAX**

2 **EXEMPTION**

3 **SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMP-**  
 4 **TION.**

5 (a) *IN GENERAL.*—Section 2010(c)(3) is amended by  
 6 adding at the end the following new subparagraph:

7 “(C) *INCREASE IN BASIC EXCLUSION*  
 8 *AMOUNT.*—In the case of estates of decedents  
 9 dying or gifts made after December 31, 2017,  
 10 and before January 1, 2026, subparagraph (A)  
 11 shall be applied by substituting ‘\$10,000,000’ for  
 12 ‘\$5,000,000’.”

13 (b) *CONFORMING AMENDMENT.*—Subsection (g) of sec-  
 14 tion 2001 is amended to read as follows:

15 “(g) *MODIFICATIONS TO TAX PAYABLE.*—

16 “(1) *MODIFICATIONS TO GIFT TAX PAYABLE TO*  
 17 *REFLECT DIFFERENT TAX RATES.*—For purposes of  
 18 applying subsection (b)(2) with respect to 1 or more  
 19 gifts, the rates of tax under subsection (c) in effect at  
 20 the decedent’s death shall, in lieu of the rates of tax  
 21 in effect at the time of such gifts, be used both to com-  
 22 pute—

23 “(A) the tax imposed by chapter 12 with re-  
 24 spect to such gifts, and

25 “(B) the credit allowed against such tax  
 26 under section 2505, including in computing—

1                   “(i) the applicable credit amount  
2                   under section 2505(a)(1), and

3                   “(ii) the sum of the amounts allowed  
4                   as a credit for all preceding periods under  
5                   section 2505(a)(2).

6                   “(2) *MODIFICATIONS TO ESTATE TAX PAYABLE*  
7                   *TO REFLECT DIFFERENT BASIC EXCLUSION*  
8                   *AMOUNTS.—The Secretary shall prescribe such regula-*  
9                   *tions as may be necessary or appropriate to carry out*  
10                   *this section with respect to any difference between—*

11                   “(A) the basic exclusion amount under sec-  
12                   tion 2010(c)(3) applicable at the time of the de-  
13                   cedent’s death, and

14                   “(B) the basic exclusion amount under such  
15                   section applicable with respect to any gifts made  
16                   by the decedent.”.

17                   (c) *EFFECTIVE DATE.—The amendments made by this*  
18                   *section shall apply to estates of decedents dying and gifts*  
19                   *made after December 31, 2017.*

1       **PART VII—EXTENSION OF TIME LIMIT FOR**  
2                               **CONTESTING IRS LEVY**

3       **SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING**  
4                               **IRS LEVY.**

5       (a) *EXTENSION OF TIME FOR RETURN OF PROPERTY*  
6       *SUBJECT TO LEVY.*—Subsection (b) of section 6343 is  
7       amended by striking “9 months” and inserting “2 years”.

8       (b) *PERIOD OF LIMITATION ON SUITS.*—Subsection (c)  
9       of section 6532 is amended—

10               (1) by striking “9 months” in paragraph (1)  
11               and inserting “2 years”, and

12               (2) by striking “9-month” in paragraph (2) and  
13               inserting “2-year”.

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

16               (1) levies made after the date of the enactment  
17               of this Act, and

18               (2) levies made on or before such date if the 9-  
19               month period has not expired under section 6343(b)  
20               of the Internal Revenue Code of 1986 (without regard  
21               to this section) as of such date.

22                               **PART VIII—INDIVIDUAL MANDATE**

23       **SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY**  
24                               **PAYMENT FOR INDIVIDUALS FAILING TO**  
25                               **MAINTAIN MINIMUM ESSENTIAL COVERAGE.**

26       (a) *IN GENERAL.*—Section 5000A(c) is amended—



1 *minimum tax shall be treated as zero” before the pe-*  
2 *riod at the end.*

3 (3)(A) *Section 55(b)(1) is amended to read as*  
4 *follows:*

5 “(1) *AMOUNT OF TENTATIVE TAX.—*

6 “(A) *IN GENERAL.—The tentative minimum*  
7 *tax for the taxable year is the sum of—*

8 “(i) *26 percent of so much of the tax-*  
9 *able excess as does not exceed \$175,000, plus*

10 “(ii) *28 percent of so much of the tax-*  
11 *able excess as exceeds \$175,000.*

12 *The amount determined under the preceding sen-*  
13 *tence shall be reduced by the alternative min-*  
14 *imum tax foreign tax credit for the taxable year.*

15 “(B) *TAXABLE EXCESS.—For purposes of*  
16 *this subsection, the term ‘taxable excess’ means so*  
17 *much of the alternative minimum taxable income*  
18 *for the taxable year as exceeds the exemption*  
19 *amount.*

20 “(C) *MARRIED INDIVIDUAL FILING SEPA-*  
21 *RATE RETURN.—In the case of a married indi-*  
22 *vidual filing a separate return, subparagraph*  
23 *(A) shall be applied by substituting 50 percent*  
24 *of the dollar amount otherwise applicable under*  
25 *clause (i) and clause (ii) thereof. For purposes of*

1           *the preceding sentence, marital status shall be*  
2           *determined under section 7703.”.*

3           *(B) Section 55(b)(3) is amended by striking*  
4           *“paragraph (1)(A)(i)” and inserting “paragraph*  
5           *(1)(A)”.*

6           *(C) Section 59(a) is amended—*

7                   *(i) by striking “subparagraph (A)(i) or*  
8                   *(B)(i) of section 55(b)(1) (whichever applies) in*  
9                   *lieu of the highest rate of tax specified in section*  
10                   *1 or 11 (whichever applies)” in paragraph*  
11                   *(1)(C) and inserting “section 55(b)(1) in lieu of*  
12                   *the highest rate of tax specified in section 1”,*  
13                   *and*

14                   *(ii) in paragraph (2), by striking “means”*  
15                   *and all that follows and inserting “means the*  
16                   *amount determined under the first sentence of*  
17                   *section 55(b)(1)(A).”.*

18           *(D) Section 897(a)(2)(A) is amended by striking*  
19           *“section 55(b)(1)(A)” and inserting “section*  
20           *55(b)(1)”.*

21           *(E) Section 911(f) is amended—*

22                   *(i) in paragraph (1)(B)—*

23                           *(I) by striking “section*  
24                           *55(b)(1)(A)(ii)” and inserting “section*  
25                           *55(b)(1)(B)”, and*



1                   (II)     by     striking     “section  
2                   55(b)(1)(A)(i)”     and     inserting     “section  
3                   55(b)(1)(A)”, and

4                   (ii) in paragraph (2)(B), by striking “sec-  
5                   tion 55(b)(1)(A)(ii)” each place it appears and  
6                   inserting “section 55(b)(1)(B)”.

7                   (4) Section 55(c)(1) is amended by striking “,  
8                   the section 936 credit allowable under section 27(b),  
9                   and the Puerto Rico economic activity credit under  
10                  section 30A”.

11                  (5) Section 55(d), as amended by section 11002,  
12                  is amended—

13                         (A) by striking paragraph (2) and redesign-  
14                         ating paragraphs (3) and (4) as paragraphs  
15                         (2) and (3), respectively,

16                         (B) in paragraph (2) (as so redesignated),  
17                         by inserting “and” at the end of subparagraph  
18                         (B), by striking “, and” at the end of subpara-  
19                         graph (C) and inserting a period, and by strik-  
20                         ing subparagraph (D), and

21                         (C) in paragraph (3) (as so redesignated)—

22                                 (i) by striking “(b)(1)(A)(i)” in sub-  
23                                 paragraph (B)(i) and inserting “(b)(1)(A)”,  
24                                 and

1                   (ii) by striking “paragraph (3)” in  
2                   subparagraph (B)(iii) and inserting “para-  
3                   graph (2)”.

4                   (6) Section 55 is amended by striking subsection  
5                   (e).

6                   (7) Section 56(b)(2) is amended by striking sub-  
7                   paragraph (C) and by redesignating subparagraph  
8                   (D) as subparagraph (C).

9                   (8)(A) Section 56 is amended by striking sub-  
10                  sections (c) and (g).

11                  (B) Section 847 is amended by striking the last  
12                  sentence of paragraph (9).

13                  (C) Section 848 is amended by striking sub-  
14                  section (i).

15                  (9) Section 58(a) is amended by striking para-  
16                  graph (3) and redesignating paragraph (4) as para-  
17                  graph (3).

18                  (10) Section 59 is amended by striking sub-  
19                  sections (b) and (f).

20                  (11) Section 11(d) is amended by striking “the  
21                  taxes imposed by subsection (a) and section 55” and  
22                  inserting “the tax imposed by subsection (a)”.

23                  (12) Section 12 is amended by striking para-  
24                  graph (7).

1           (13) Section 168(k) is amended by striking para-  
2 graph (4).

3           (14) Section 882(a)(1) is amended by striking “,  
4 55,”.

5           (15) Section 962(a)(1) is amended by striking  
6 “sections 11 and 55” and inserting “section 11”.

7           (16) Section 1561(a) is amended—

8                 (A) by inserting “and” at the end of para-  
9 graph (1), by striking “, and” at the end of  
10 paragraph (2) and inserting a period, and by  
11 striking paragraph (3), and

12                 (B) by striking the last sentence.

13           (17) Section 6425(c)(1)(A) is amended to read as  
14 follows:

15                 “(A) the tax imposed by section 11 or  
16 1201(a), or subchapter L of chapter 1, whichever  
17 is applicable, over”.

18           (18) Section 6655(e)(2) is amended by striking  
19 “and alternative minimum taxable income” each  
20 place it appears in subparagraphs (A) and (B)(i).

21           (19) Section 6655(g)(1)(A) is amended by insert-  
22 ing “plus” at the end of clause (i), by striking clause  
23 (ii), and by redesignating clause (iii) as clause (ii).

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to taxable years beginning after Decem-*  
3 *ber 31, 2017.*

4 **SEC. 12002. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABIL-**  
5 **ITY OF CORPORATIONS.**

6       (a) *CREDITS TREATED AS REFUNDABLE.*—*Section 53*  
7 *is amended by adding at the end the following new sub-*  
8 *section:*

9       “(e) *PORTION OF CREDIT TREATED AS REFUND-*  
10 *ABLE.*—

11           “(1) *IN GENERAL.*—*In the case of any taxable*  
12 *year of a corporation beginning in 2018, 2019, 2020,*  
13 *or 2021, the limitation under subsection (c) shall be*  
14 *increased by the AMT refundable credit amount for*  
15 *such year.*

16           “(2) *AMT REFUNDABLE CREDIT AMOUNT.*—*For*  
17 *purposes of paragraph (1), the AMT refundable credit*  
18 *amount is an amount equal to 50 percent (100 per-*  
19 *cent in the case of a taxable year beginning in 2021)*  
20 *of the excess (if any) of—*

21                   “(A) *the minimum tax credit determined*  
22 *under subsection (b) for the taxable year, over*

23                   “(B) *the minimum tax credit allowed under*  
24 *subsection (a) for such year (before the applica-*  
25 *tion of this subsection for such year).*

1           “(3) *CREDIT REFUNDABLE.*—For purposes of  
2           this title (other than this section), the credit allowed  
3           by reason of this subsection shall be treated as a cred-  
4           it allowed under subpart C (and not this subpart).

5           “(4) *SHORT TAXABLE YEARS.*—In the case of  
6           any taxable year of less than 365 days, the AMT re-  
7           fundable credit amount determined under paragraph  
8           (2) with respect to such taxable year shall be the  
9           amount which bears the same ratio to such amount  
10          determined without regard to this paragraph as the  
11          number of days in such taxable year bears to 365.”.

12          (b) *TREATMENT OF REFERENCES.*—Section 53(d) is  
13          amended by adding at the end the following new paragraph:

14                 “(3) *AMT TERM REFERENCES.*—In the case of a  
15                 corporation, any references in this subsection to sec-  
16                 tion 55, 56, or 57 shall be treated as a reference to  
17                 such section as in effect before the amendments made  
18                 by Tax Cuts and Jobs Act.”.

19          (c)           *CONFORMING            AMENDMENT.*—Section  
20          1374(b)(3)(B) is amended by striking the last sentence  
21          thereof.

22          (d) *EFFECTIVE DATE.*—

23                 (1) *IN GENERAL.*—The amendments made by  
24                 this section shall apply to taxable years beginning  
25                 after December 31, 2017.

1           (2) *CONFORMING AMENDMENT.*—*The amendment*  
2           *made by subsection (c) shall apply to taxable years*  
3           *beginning after December 31, 2021.*

4 **SEC. 12003. INCREASED EXEMPTION FOR INDIVIDUALS.**

5           (a) *IN GENERAL.*—*Section 55(d), as amended by the*  
6           *preceding provisions of this Act, is amended by adding at*  
7           *the end the following new paragraph:*

8                   “(4) *SPECIAL RULE FOR TAXABLE YEARS BEGIN-*  
9                   *NING AFTER 2017 AND BEFORE 2026.*—

10                   “(A) *IN GENERAL.*—*In the case of any tax-*  
11                   *able year beginning after December 31, 2017,*  
12                   *and before January 1, 2026—*

13                           “(i) *paragraph (1) shall be applied—*

14                                   “(I) *by substituting ‘\$109,400’ for*  
15                                   *‘\$78,750’ in subparagraph (A), and*

16                                   “(II) *by substituting ‘\$70,300’ for*  
17                                   *‘\$50,600’ in subparagraph (B), and*

18                           “(ii) *paragraph (2) shall be applied—*

19                                   “(I) *by substituting ‘\$1,000,000’*  
20                                   *for ‘\$150,000’ in subparagraph (A),*

21                                   “(II) *by substituting ‘50 percent*  
22                                   *of the dollar amount applicable under*  
23                                   *subparagraph (A)’ for ‘\$112,500’ in*  
24                                   *subparagraph (B), and*

1                   “(III) in the case of a taxpayer  
2                   described in paragraph (1)(D), without  
3                   regard to the substitution under sub-  
4                   clause (I).

5                   “(B) INFLATION ADJUSTMENT.—

6                   “(i) IN GENERAL.—In the case of any  
7                   taxable year beginning in a calendar year  
8                   after 2018, the amounts described in clause  
9                   (ii) shall each be increased by an amount  
10                  equal to—

11                  “(I) such dollar amount, multi-  
12                  plied by

13                  “(II) the cost-of-living adjustment  
14                  determined under section 1(f)(3) for  
15                  the calendar year in which the taxable  
16                  year begins, determined by substituting  
17                  ‘calendar year 2017’ for ‘calendar year  
18                  2016’ in subparagraph (A)(i) thereof.

19                  “(ii) AMOUNTS DESCRIBED.—The  
20                  amounts described in this clause are the  
21                  \$109,400 amount in subparagraph  
22                  (A)(i)(I), the \$70,300 amount in subpara-  
23                  graph (A)(i)(II), and the \$1,000,000  
24                  amount in subparagraph (A)(i)(I).

1                   “(iii) *ROUNDING.*—Any increased  
2                   amount determined under clause (i) shall be  
3                   rounded to the nearest multiple of \$100.

4                   “(iv) *COORDINATION WITH CURRENT*  
5                   *ADJUSTMENTS.*—In the case of any taxable  
6                   year to which subparagraph (A) applies, no  
7                   adjustment shall be made under paragraph  
8                   (3) to any of the numbers which are sub-  
9                   stituted under subparagraph (A) and ad-  
10                  justed under this subparagraph.”.

11               (b) *EFFECTIVE DATE.*—The amendments made by this  
12               section shall apply to taxable years beginning after Decem-  
13               ber 31, 2017.

14               ***Subtitle C—Business-related***  
15               ***Provisions***

16               ***PART I—CORPORATE PROVISIONS***

17               ***SEC. 13001. 21-PERCENT CORPORATE TAX RATE.***

18               (a) *IN GENERAL.*—Subsection (b) of section 11 is  
19               amended to read as follows:

20               “(b) *AMOUNT OF TAX.*—The amount of the tax im-  
21               posed by subsection (a) shall be 21 percent of taxable in-  
22               come.”.

23               (b) *CONFORMING AMENDMENTS.*—



1           (1) *The following sections are each amended by*  
2 *striking “section 11(b)(1)” and inserting “section*  
3 *11(b)”:*

4                   (A) *Section 280C(c)(3)(B)(ii)(II).*

5                   (B) *Paragraphs (2)(B) and (6)(A)(ii) of*  
6 *section 860E(e).*

7                   (C) *Section 7874(e)(1)(B).*

8           (2)(A) *Part I of subchapter P of chapter 1 is*  
9 *amended by striking section 1201 (and by striking the*  
10 *item relating to such section in the table of sections*  
11 *for such part).*

12                   (B) *Section 12 is amended by striking para-*  
13 *graphs (4) and (6), and by redesignating paragraph*  
14 *(5) as paragraph (4).*

15                   (C) *Section 453A(c)(3) is amended by striking*  
16 *“or 1201 (whichever is appropriate)”.*

17                   (D) *Section 527(b) is amended—*

18                           (i) *by striking paragraph (2), and*

19                           (ii) *by striking all that precedes “is hereby*  
20 *imposed” and inserting:*

21 *“(b) TAX IMPOSED.—A tax”.*

22                   (E) *Sections 594(a) is amended by striking*  
23 *“taxes imposed by section 11 or 1201(a)” and insert-*  
24 *ing “tax imposed by section 11”.*

1           (F) Section 691(c)(4) is amended by striking  
2           “1201,”.

3           (G) Section 801(a) is amended—  
4                 (i) by striking paragraph (2), and  
5                 (ii) by striking all that precedes “is hereby  
6                 imposed” and inserting:  
7           “(a) TAX IMPOSED.—A tax”.

8           (H) Section 831(e) is amended by striking para-  
9           graph (1) and by redesignating paragraphs (2) and  
10           (3) as paragraphs (1) and (2), respectively.

11           (I) Sections 832(c)(5) and 834(b)(1)(D) are each  
12           amended by striking “sec. 1201 and following,”.

13           (J) Section 852(b)(3)(A) is amended by striking  
14           “section 1201(a)” and inserting “section 11(b)”.

15           (K) Section 857(b)(3) is amended—  
16                 (i) by striking subparagraph (A) and redesi-  
17                 gnating subparagraphs (B) through (F) as sub-  
18                 paragraphs (A) through (E), respectively,  
19                 (ii) in subparagraph (C), as so redesi-  
20                 gnated—

21                         (I) by striking “subparagraph (A)(ii)”  
22                         in clause (i) thereof and inserting “para-  
23                         graph (1)”,

24                         (II) by striking “the tax imposed by  
25                         subparagraph (A)(ii)” in clauses (ii) and

1           (iv) thereof and inserting “the tax imposed  
2           by paragraph (1) on undistributed capital  
3           gain”,

4           (iii) in subparagraph (E), as so redesign-  
5           ated, by striking “subparagraph (B) or (D)”  
6           and inserting “subparagraph (A) or (C)”, and

7           (iv) by adding at the end the following new  
8           subparagraph:

9           “(F) *UNDISTRIBUTED CAPITAL GAIN.*—For  
10          purposes of this paragraph, the term ‘undistrib-  
11          uted capital gain’ means the excess of the net  
12          capital gain over the deduction for dividends  
13          paid (as defined in section 561) determined with  
14          reference to capital gain dividends only.”.

15          (L) Section 882(a)(1), as amended by section  
16          12001, is further amended by striking “or 1201(a)”.

17          (M) Section 904(b) is amended—

18                 (i) by striking “or 1201(a)” in paragraph  
19                 (2)(C),

20                 (ii) by striking paragraph (3)(D) and in-  
21                 serting the following:

22                 “(D) *CAPITAL GAIN RATE DIFFERENTIAL.*—  
23                 There is a capital gain rate differential for any  
24                 year if subsection (h) of section 1 applies to such  
25                 taxable year.”, and

1           *(iii) by striking paragraph (3)(E) and in-*  
2           *serting the following:*

3           “(E) *RATE DIFFERENTIAL PORTION.—The*  
4           *rate differential portion of foreign source net*  
5           *capital gain, net capital gain, or the excess of*  
6           *net capital gain from sources within the United*  
7           *States over net capital gain, as the case may be,*  
8           *is the same proportion of such amount as—*

9                   “(i) *the excess of—*

10                           “(I) *the highest rate of tax set*  
11                           *forth in subsection (a), (b), (c), (d), or*  
12                           *(e) of section 1 (whichever applies),*  
13                           *over*

14                           “(II) *the alternative rate of tax*  
15                           *determined under section 1(h), bears to*

16                           “(ii) *that rate referred to in subclause*  
17                           *(I).”.*

18           (N) *Section 1374(b) is amended by striking*  
19           *paragraph (4).*

20           (O) *Section 1381(b) is amended by striking*  
21           *“taxes imposed by section 11 or 1201” and inserting*  
22           *“tax imposed by section 11”.*

23           (P) *Sections 6425(c)(1)(A), as amended by sec-*  
24           *tion 12001, and 6655(g)(1)(A)(i) are each amended*  
25           *by striking “or 1201(a).”.*

1           (Q) Section 7518(g)(6)(A) is amended by strik-  
2           ing “or 1201(a)”.

3           (3)(A) Section 1445(e)(1) is amended—

4                   (i) by striking “35 percent” and inserting  
5                   “the highest rate of tax in effect for the taxable  
6                   year under section 11(b)”, and

7                   (ii) by striking “of the gain” and inserting  
8                   “multiplied by the gain”.

9           (B) Section 1445(e)(2) is amended by striking  
10           “35 percent of the amount” and inserting “the highest  
11           rate of tax in effect for the taxable year under section  
12           11(b) multiplied by the amount”.

13           (C) Section 1445(e)(6) is amended—

14                   (i) by striking “35 percent” and inserting  
15                   “the highest rate of tax in effect for the taxable  
16                   year under section 11(b)”, and

17                   (ii) by striking “of the amount” and insert-  
18                   ing “multiplied by the amount”.

19           (D) Section 1446(b)(2)(B) is amended by strik-  
20           ing “section 11(b)(1)” and inserting “section 11(b)”.

21           (4) Section 852(b)(1) is amended by striking the  
22           last sentence.

23           (5)(A) Part I of subchapter B of chapter 5 is  
24           amended by striking section 1551 (and by striking the

1 *item relating to such section in the table of sections*  
 2 *for such part).*

3 *(B) Section 535(c)(5) is amended to read as fol-*  
 4 *lows:*

5 *“(5) CROSS REFERENCE.—For limitation on*  
 6 *credit provided in paragraph (2) or (3) in the case*  
 7 *of certain controlled corporations, see section 1561.”.*

8 *(6)(A) Section 1561, as amended by section*  
 9 *12001, is amended to read as follows:*

10 **“SEC. 1561. LIMITATION ON ACCUMULATED EARNINGS**  
 11 **CREDIT IN THE CASE OF CERTAIN CON-**  
 12 **TROLLED CORPORATIONS.**

13 *“(a) IN GENERAL.—The component members of a con-*  
 14 *trolled group of corporations on a December 31 shall, for*  
 15 *their taxable years which include such December 31, be lim-*  
 16 *ited for purposes of this subtitle to one \$250,000 (\$150,000*  
 17 *if any component member is a corporation described in sec-*  
 18 *tion 535(c)(2)(B)) amount for purposes of computing the*  
 19 *accumulated earnings credit under section 535(c)(2) and*  
 20 *(3). Such amount shall be divided equally among the com-*  
 21 *ponent members of such group on such December 31 unless*  
 22 *the Secretary prescribes regulations permitting an unequal*  
 23 *allocation of such amount.*

24 *“(b) CERTAIN SHORT TAXABLE YEARS.—If a corpora-*  
 25 *tion has a short taxable year which does not include a De-*

1 cember 31 and is a component member of a controlled group  
 2 of corporations with respect to such taxable year, then for  
 3 purposes of this subtitle, the amount to be used in com-  
 4 puting the accumulated earnings credit under section  
 5 535(c)(2) and (3) of such corporation for such taxable year  
 6 shall be the amount specified in subsection (a) with respect  
 7 to such group, divided by the number of corporations which  
 8 are component members of such group on the last day of  
 9 such taxable year. For purposes of the preceding sentence,  
 10 section 1563(b) shall be applied as if such last day were  
 11 substituted for December 31.”.

12 (B) The table of sections for part II of sub-  
 13 chapter B of chapter 5 is amended by striking  
 14 the item relating to section 1561 and inserting  
 15 the following new item:

“Sec. 1561. Limitation on accumulated earnings credit in the case of certain con-  
 trolled corporations.”.

16 (7) Section 7518(g)(6)(A) is amended—

17 (A) by striking “With respect to the por-  
 18 tion” and inserting “In the case of a taxpayer  
 19 other than a corporation, with respect to the por-  
 20 tion”, and

21 (B) by striking “(34 percent in the case of  
 22 a corporation)”.

23 (c) EFFECTIVE DATE.—

1           (1) *IN GENERAL.*—*Except as otherwise provided*  
2 *in this subsection, the amendments made by sub-*  
3 *sections (a) and (b) shall apply to taxable years be-*  
4 *ginning after December 31, 2017.*

5           (2) *WITHHOLDING.*—*The amendments made by*  
6 *subsection (b)(3) shall apply to distributions made*  
7 *after December 31, 2017.*

8           (3) *CERTAIN TRANSFERS.*—*The amendments*  
9 *made by subsection (b)(6) shall apply to transfers*  
10 *made after December 31, 2017.*

11       (d) *NORMALIZATION REQUIREMENTS.*—

12           (1) *IN GENERAL.*—*A normalization method of*  
13 *accounting shall not be treated as being used with re-*  
14 *spect to any public utility property for purposes of*  
15 *section 167 or 168 of the Internal Revenue Code of*  
16 *1986 if the taxpayer, in computing its cost of service*  
17 *for ratemaking purposes and reflecting operating re-*  
18 *sults in its regulated books of account, reduces the ex-*  
19 *cess tax reserve more rapidly or to a greater extent*  
20 *than such reserve would be reduced under the average*  
21 *rate assumption method.*

22           (2) *ALTERNATIVE METHOD FOR CERTAIN TAX-*  
23 *PAYERS.*—*If, as of the first day of the taxable year*  
24 *that includes the date of enactment of this Act—*



1           (A) *the taxpayer was required by a regu-*  
2           *latory agency to compute depreciation for public*  
3           *utility property on the basis of an average life*  
4           *or composite rate method, and*

5           (B) *the taxpayer's books and underlying*  
6           *records did not contain the vintage account data*  
7           *necessary to apply the average rate assumption*  
8           *method,*

9           *the taxpayer will be treated as using a normalization*  
10          *method of accounting if, with respect to such jurisdic-*  
11          *tion, the taxpayer uses the alternative method for*  
12          *public utility property that is subject to the regu-*  
13          *latory authority of that jurisdiction.*

14          (3) *DEFINITIONS.—For purposes of this sub-*  
15          *section—*

16               (A) *EXCESS TAX RESERVE.—The term “ex-*  
17               *cess tax reserve” means the excess of—*

18                       (i) *the reserve for deferred taxes (as de-*  
19                       *scribed in section 168(i)(9)(A)(ii) of the In-*  
20                       *ternal Revenue Code of 1986) as of the day*  
21                       *before the corporate rate reductions provided*  
22                       *in the amendments made by this section*  
23                       *take effect, over*

24                       (ii) *the amount which would be the*  
25                       *balance in such reserve if the amount of*

1           *such reserve were determined by assuming*  
2           *that the corporate rate reductions provided*  
3           *in this Act were in effect for all prior peri-*  
4           *ods.*

5           (B) *AVERAGE RATE ASSUMPTION METH-*  
6           *OD.—The average rate assumption method is the*  
7           *method under which the excess in the reserve for*  
8           *deferred taxes is reduced over the remaining lives*  
9           *of the property as used in its regulated books of*  
10           *account which gave rise to the reserve for de-*  
11           *ferred taxes. Under such method, during the time*  
12           *period in which the timing differences for the*  
13           *property reverse, the amount of the adjustment to*  
14           *the reserve for the deferred taxes is calculated by*  
15           *multiplying—*

16                   (i) *the ratio of the aggregate deferred*  
17                   *taxes for the property to the aggregate tim-*  
18                   *ing differences for the property as of the be-*  
19                   *ginning of the period in question, by*

20                   (ii) *the amount of the timing dif-*  
21                   *ferences which reverse during such period.*

22           (C) *ALTERNATIVE METHOD.—The “alter-*  
23           *native method” is the method in which the tax-*  
24           *payer—*

1           (i) computes the excess tax reserve on  
2           all public utility property included in the  
3           plant account on the basis of the weighted  
4           average life or composite rate used to com-  
5           pute depreciation for regulatory purposes,  
6           and

7           (ii) reduces the excess tax reserve rat-  
8           ably over the remaining regulatory life of  
9           the property.

10           (4) *TAX INCREASED FOR NORMALIZATION VIOLA-*  
11           *TION.—If, for any taxable year ending after the date*  
12           *of the enactment of this Act, the taxpayer does not use*  
13           *a normalization method of accounting for the cor-*  
14           *porate rate reductions provided in the amendments*  
15           *made by this section—*

16           (A) *the taxpayer's tax for the taxable year*  
17           *shall be increased by the amount by which it re-*  
18           *duces its excess tax reserve more rapidly than*  
19           *permitted under a normalization method of ac-*  
20           *counting, and*

21           (B) *such taxpayer shall not be treated as*  
22           *using a normalization method of accounting for*  
23           *purposes of subsections (f)(2) and (i)(9)(C) of*  
24           *section 168 of the Internal Revenue Code of*  
25           *1986.*

1 **SEC. 13002. REDUCTION IN DIVIDEND RECEIVED DEDUC-**  
2 **TIONS TO REFLECT LOWER CORPORATE IN-**  
3 **COME TAX RATES.**

4 *(a) DIVIDENDS RECEIVED BY CORPORATIONS.—*

5 *(1) IN GENERAL.—Section 243(a)(1) is amended*  
6 *by striking “70 percent” and inserting “50 percent”.*

7 *(2) DIVIDENDS FROM 20-PERCENT OWNED COR-*  
8 *PORATIONS.—Section 243(c)(1) is amended—*

9 *(A) by striking “80 percent” and inserting*  
10 *“65 percent”, and*

11 *(B) by striking “70 percent” and inserting*  
12 *“50 percent”.*

13 *(3) CONFORMING AMENDMENT.—The heading for*  
14 *section 243(c) is amended by striking “RETENTION OF*  
15 *80-PERCENT DIVIDEND RECEIVED DEDUCTION” and*  
16 *inserting “INCREASED PERCENTAGE”.*

17 *(b) DIVIDENDS RECEIVED FROM FSC.—Section*  
18 *245(c)(1)(B) is amended—*

19 *(1) by striking “70 percent” and inserting “50*  
20 *percent”, and*

21 *(2) by striking “80 percent” and inserting “65*  
22 *percent”.*

23 *(c) LIMITATION ON AGGREGATE AMOUNT OF DEDUC-*  
24 *TIONS.—Section 246(b)(3) is amended—*

25 *(1) by striking “80 percent” in subparagraph*  
26 *(A) and inserting “65 percent”, and*

1           (2) by striking “70 percent” in subparagraph  
2           (B) and inserting “50 percent”.

3           (d) *REDUCTION IN DEDUCTION WHERE PORTFOLIO*  
4 *STOCK IS DEBT-FINANCED.*—Section 246A(a)(1) is amend-  
5 ed—

6           (1) by striking “70 percent” and inserting “50  
7           percent”, and

8           (2) by striking “80 percent” and inserting “65  
9           percent”.

10          (e) *INCOME FROM SOURCES WITHIN THE UNITED*  
11 *STATES.*—Section 861(a)(2) is amended—

12           (1) by striking “100/70th” and inserting “100/  
13           50th” in subparagraph (B), and

14           (2) in the flush sentence at the end—

15           (A) by striking “100/80th” and inserting  
16           “100/65th”, and

17           (B) by striking “100/70th” and inserting  
18           “100/50th”.

19          (f) *EFFECTIVE DATE.*—The amendments made by this  
20 section shall apply to taxable years beginning after Decem-  
21 ber 31, 2017.

22           **PART II—SMALL BUSINESS REFORMS**

23           **SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSING DE-**  
24           **PRECIABLE BUSINESS ASSETS.**

25           (a) *INCREASE IN LIMITATION.*—

1           (1) *DOLLAR LIMITATION.*—Section 179(b)(1) is  
2 amended by striking “\$500,000” and inserting  
3 “\$1,000,000”.

4           (2) *REDUCTION IN LIMITATION.*—Section  
5 179(b)(2) is amended by striking “\$2,000,000” and  
6 inserting “\$2,500,000”.

7           (3) *INFLATION ADJUSTMENTS.*—

8           (A) *IN GENERAL.*—Subparagraph (A) of  
9 section 179(b)(6), as amended by section  
10 11002(d), is amended—

11           (i) by striking “2015” and inserting  
12 “2018”, and

13           (ii) in clause (ii), by striking “cal-  
14 endar year 2014” and inserting “calendar  
15 year 2017”.

16           (B) *SPORT UTILITY VEHICLES.*—Section  
17 179(b)(6) is amended—

18           (i) in subparagraph (A), by striking  
19 “paragraphs (1) and (2)” and inserting  
20 “paragraphs (1), (2), and (5)(A)”, and

21           (ii) in subparagraph (B), by inserting  
22 “(\$100 in the case of any increase in the  
23 amount under paragraph (5)(A))” after  
24 “\$10,000”.

1       **(b) Section 179 Property To Include Qualified Real**  
2 *Property.*—

3           **(1) IN GENERAL.**—Subparagraph *(B)* of section  
4 *179(d)(1)* is amended to read as follows:

5                   “(B) which is—

6                           “(i) section 1245 property (as defined  
7                           in section 1245(a)(3)), or

8                           “(ii) at the election of the taxpayer,  
9                           qualified real property (as defined in sub-  
10                           section (f)), and”.

11           **(2) QUALIFIED REAL PROPERTY DEFINED.**—Sub-  
12           section *(f)* of section 179 is amended to read as fol-  
13           lows:

14           “(f) **QUALIFIED REAL PROPERTY.**—For purposes of  
15           this section, the term ‘qualified real property’ means—

16                   “(1) any qualified improvement property de-  
17                   scribed in section 168(e)(6), and

18                   “(2) any of the following improvements to non-  
19                   residential real property placed in service after the  
20                   date such property was first placed in service:

21                           “(A) Roofs.

22                           “(B) Heating, ventilation, and air-condi-  
23                           tioning property.

24                           “(C) Fire protection and alarm systems.

25                           “(D) Security systems.”.

1       (c) *REPEAL OF EXCLUSION FOR CERTAIN PROP-*  
2 *ERTY.*—*The last sentence of section 179(d)(1) is amended*  
3 *by inserting “(other than paragraph (2) thereof)” after*  
4 *“section 50(b)”.*

5       (d) *EFFECTIVE DATE.*—*The amendments made by this*  
6 *section shall apply to property placed in service in taxable*  
7 *years beginning after December 31, 2017.*

8 **SEC. 13102. SMALL BUSINESS ACCOUNTING METHOD RE-**  
9 **FORM AND SIMPLIFICATION.**

10       (a) *MODIFICATION OF LIMITATION ON CASH METHOD*  
11 *OF ACCOUNTING.*—

12               (1) *INCREASED LIMITATION.*—*So much of section*  
13 *448(c) as precedes paragraph (2) is amended to read*  
14 *as follows:*

15       “(c) *GROSS RECEIPTS TEST.*—*For purposes of this*  
16 *section—*

17               “(1) *IN GENERAL.*—*A corporation or partnership*  
18 *meets the gross receipts test of this subsection for any*  
19 *taxable year if the average annual gross receipts of*  
20 *such entity for the 3-taxable-year period ending with*  
21 *the taxable year which precedes such taxable year does*  
22 *not exceed \$25,000,000.”.*

23               (2) *APPLICATION OF EXCEPTION ON ANNUAL*  
24 *BASIS.*—*Section 448(b)(3) is amended to read as fol-*  
25 *lows:*



1           “(3) *ENTITIES WHICH MEET GROSS RECEIPTS*  
2           *TEST.*—Paragraphs (1) and (2) of subsection (a) shall  
3           not apply to any corporation or partnership for any  
4           taxable year if such entity (or any predecessor) meets  
5           the gross receipts test of subsection (c) for such taxable  
6           year.”.

7           (3) *INFLATION ADJUSTMENT.*—Section 448(c) is  
8           amended by adding at the end the following new  
9           paragraph:

10           “(4) *ADJUSTMENT FOR INFLATION.*—In the case  
11           of any taxable year beginning after December 31,  
12           2018, the dollar amount in paragraph (1) shall be in-  
13           creased by an amount equal to—

14                   “(A) such dollar amount, multiplied by

15                   “(B) the cost-of-living adjustment deter-  
16                   mined under section 1(f)(3) for the calendar year  
17                   in which the taxable year begins, by substituting  
18                   ‘calendar year 2017’ for ‘calendar year 2016’ in  
19                   subparagraph (A)(ii) thereof.

20           If any amount as increased under the preceding sen-  
21           tence is not a multiple of \$1,000,000, such amount  
22           shall be rounded to the nearest multiple of  
23           \$1,000,000.”.

24           (4) *COORDINATION WITH SECTION 481.*—Section  
25           448(d)(7) is amended to read as follows:

1           “(7) *COORDINATION WITH SECTION 481.*—Any  
2     *change in method of accounting made pursuant to*  
3     *this section shall be treated for purposes of section 481*  
4     *as initiated by the taxpayer and made with the con-*  
5     *sent of the Secretary.”.*

6           (5) *APPLICATION OF EXCEPTION TO CORPORA-*  
7     *TIONS ENGAGED IN FARMING.*—

8           (A) *IN GENERAL.*—Section 447(c) is amend-  
9     *ed—*

10           (i) by inserting “for any taxable year”  
11           after “not being a corporation” in the mat-  
12           ter preceding paragraph (1), and

13           (ii) by amending paragraph (2) to  
14           read as follows:

15           “(2) a corporation which meets the gross receipts  
16     *test of section 448(c) for such taxable year.”.*

17           (B) *COORDINATION WITH SECTION 481.*—

18     Section 447(f) is amended to read as follows:

19     “(f) *COORDINATION WITH SECTION 481.*—Any change  
20     *in method of accounting made pursuant to this section shall*  
21     *be treated for purposes of section 481 as initiated by the*  
22     *taxpayer and made with the consent of the Secretary.”.*

23           (C) *CONFORMING AMENDMENTS.*—Section

24     447 is amended—

1                   (i) by striking subsections (d), (e), (h),  
2                   and (i), and  
3                   (ii) by redesignating subsections (f)  
4                   and (g) (as amended by subparagraph (B))  
5                   as subsections (d) and (e), respectively.

6           (b) *EXEMPTION FROM UNICAP REQUIREMENTS.*—

7                   (1) *IN GENERAL.*—Section 263A is amended by  
8                   redesignating subsection (i) as subsection (j) and by  
9                   inserting after subsection (h) the following new sub-  
10                   section:

11           “(i) *EXEMPTION FOR CERTAIN SMALL BUSINESSES.*—

12                   “(1) *IN GENERAL.*—In the case of any taxpayer  
13                   (other than a tax shelter prohibited from using the  
14                   cash receipts and disbursements method of accounting  
15                   under section 448(a)(3)) which meets the gross re-  
16                   ceipts test of section 448(c) for any taxable year, this  
17                   section shall not apply with respect to such taxpayer  
18                   for such taxable year.

19                   “(2) *APPLICATION OF GROSS RECEIPTS TEST TO*  
20                   *INDIVIDUALS, ETC.*—In the case of any taxpayer  
21                   which is not a corporation or a partnership, the gross  
22                   receipts test of section 448(c) shall be applied in the  
23                   same manner as if each trade or business of such tax-  
24                   payer were a corporation or partnership.

1           “(3) *COORDINATION WITH SECTION 481.*—Any  
2           *change in method of accounting made pursuant to*  
3           *this subsection shall be treated for purposes of section*  
4           *481 as initiated by the taxpayer and made with the*  
5           *consent of the Secretary.”.*

6           (2)       *CONFORMING        AMENDMENT.*—Section  
7           *263A(b)(2) is amended to read as follows:*

8           “(2) *PROPERTY ACQUIRED FOR RESALE.*—Real  
9           *or personal property described in section 1221(a)(1)*  
10          *which is acquired by the taxpayer for resale.”.*

11          (c) *EXEMPTION FROM INVENTORIES.*—Section 471 is  
12          *amended by redesignating subsection (c) as subsection (d)*  
13          *and by inserting after subsection (b) the following new sub-*  
14          *section:*

15          “(c) *EXEMPTION FOR CERTAIN SMALL BUSINESSES.*—

16               “(1) *IN GENERAL.*—In the case of any taxpayer  
17               *(other than a tax shelter prohibited from using the*  
18               *cash receipts and disbursements method of accounting*  
19               *under section 448(a)(3)) which meets the gross re-*  
20               *ceipts test of section 448(c) for any taxable year—*

21                       “(A) *subsection (a) shall not apply with re-*  
22                       *spect to such taxpayer for such taxable year, and*

23                       “(B) *the taxpayer’s method of accounting*  
24                       *for inventory for such taxable year shall not be*

1           *treated as failing to clearly reflect income if such*  
2           *method either—*

3                   “(i) *treats inventory as non-incidenta*  
4                   *materials and supplies, or*

5                   “(ii) *conforms to such taxpayer’s meth-*  
6                   *od of accounting reflected in an applicable*  
7                   *financial statement of the taxpayer with re-*  
8                   *spect to such taxable year or, if the tax-*  
9                   *payer does not have any applicable finan-*  
10                   *cial statement with respect to such taxable*  
11                   *year, the books and records of the taxpayer*  
12                   *prepared in accordance with the taxpayer’s*  
13                   *accounting procedures.*

14                   “(2) *APPLICABLE FINANCIAL STATEMENT.—For*  
15                   *purposes of this subsection, the term ‘applicable fi-*  
16                   *nancial statement’ has the meaning given the term in*  
17                   *section 451(b)(3).*

18                   “(3) *APPLICATION OF GROSS RECEIPTS TEST TO*  
19                   *INDIVIDUALS, ETC.—In the case of any taxpayer*  
20                   *which is not a corporation or a partnership, the gross*  
21                   *receipts test of section 448(c) shall be applied in the*  
22                   *same manner as if each trade or business of such tax-*  
23                   *payer were a corporation or partnership.*

24                   “(4) *COORDINATION WITH SECTION 481.—Any*  
25                   *change in method of accounting made pursuant to*

1 *this subsection shall be treated for purposes of section*  
 2 *481 as initiated by the taxpayer and made with the*  
 3 *consent of the Secretary.”.*

4 *(d) EXEMPTION FROM PERCENTAGE COMPLETION FOR*  
 5 *LONG-TERM CONTRACTS.—*

6 *(1) IN GENERAL.—Section 460(e)(1)(B) is*  
 7 *amended—*

8 *(A) by inserting “(other than a tax shelter*  
 9 *prohibited from using the cash receipts and dis-*  
 10 *bursements method of accounting under section*  
 11 *448(a)(3))” after “taxpayer” in the matter pre-*  
 12 *ceding clause (i), and*

13 *(B) by amending clause (ii) to read as fol-*  
 14 *lows:*

15 *“(ii) who meets the gross receipts test*  
 16 *of section 448(c) for the taxable year in*  
 17 *which such contract is entered into.”.*

18 *(2) CONFORMING AMENDMENTS.—Section 460(e)*  
 19 *is amended by striking paragraphs (2) and (3), by re-*  
 20 *designating paragraphs (4), (5), and (6) as para-*  
 21 *graphs (3), (4), and (5), respectively, and by insert-*  
 22 *ing after paragraph (1) the following new paragraph:*

23 *“(2) RULES RELATED TO GROSS RECEIPTS*  
 24 *TEST.—*

1           “(A) *APPLICATION OF GROSS RECEIPTS*  
2           *TEST TO INDIVIDUALS, ETC.—For purposes of*  
3           *paragraph (1)(B)(ii), in the case of any tax-*  
4           *payer which is not a corporation or a partner-*  
5           *ship, the gross receipts test of section 448(c) shall*  
6           *be applied in the same manner as if each trade*  
7           *or business of such taxpayer were a corporation*  
8           *or partnership.*”

9           “(B) *COORDINATION WITH SECTION 481.—*  
10          *Any change in method of accounting made pur-*  
11          *suant to paragraph (1)(B)(ii) shall be treated as*  
12          *initiated by the taxpayer and made with the*  
13          *consent of the Secretary. Such change shall be ef-*  
14          *fectuated on a cut-off basis for all similarly classi-*  
15          *fied contracts entered into on or after the year*  
16          *of change.*”

17          *(e) EFFECTIVE DATE.—*

18                 (1) *IN GENERAL.—Except as otherwise provided*  
19                 *in this subsection, the amendments made by this sec-*  
20                 *tion shall apply to taxable years beginning after De-*  
21                 *cember 31, 2017.*

22                 (2) *PRESERVATION OF SUSPENSE ACCOUNT*  
23                 *RULES WITH RESPECT TO ANY EXISTING SUSPENSE*  
24                 *ACCOUNTS.—So much of the amendments made by*  
25                 *subsection (a)(5)(C) as relate to section 447(i) of the*

1 *Internal Revenue Code of 1986 shall not apply with*  
 2 *respect to any suspense account established under*  
 3 *such section before the date of the enactment of this*  
 4 *Act.*

5 (3) *EXEMPTION FROM PERCENTAGE COMPLETION*  
 6 *FOR LONG-TERM CONTRACTS.—The amendments made*  
 7 *by subsection (d) shall apply to contracts entered into*  
 8 *after December 31, 2017, in taxable years ending*  
 9 *after such date.*

10 **PART III—COST RECOVERY AND ACCOUNTING**

11 **METHODS**

12 **Subpart A—Cost Recovery**

13 **SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR**  
 14 **CERTAIN BUSINESS ASSETS.**

15 (a) *INCREASED EXPENSING.—*

16 (1) *IN GENERAL.—Section 168(k) is amended—*

17 (A) *in paragraph (1)(A), by striking “50*  
 18 *percent” and inserting “the applicable percent-*  
 19 *age”, and*

20 (B) *in paragraph (5)(A)(i), by striking “50*  
 21 *percent” and inserting “the applicable percent-*  
 22 *age”.*

23 (2) *APPLICABLE PERCENTAGE.—Paragraph (6)*  
 24 *of section 168(k) is amended to read as follows:*



1           “(6) *APPLICABLE PERCENTAGE.*—*For purposes*  
2 *of this subsection—*

3           “(A) *IN GENERAL.*—*Except as otherwise*  
4 *provided in this paragraph, the term ‘applicable*  
5 *percentage’ means—*

6           “(i) *in the case of property placed in*  
7 *service after September 27, 2017, and before*  
8 *January 1, 2023, 100 percent,*

9           “(ii) *in the case of property placed in*  
10 *service after December 31, 2022, and before*  
11 *January 1, 2024, 80 percent,*

12           “(iii) *in the case of property placed in*  
13 *service after December 31, 2023, and before*  
14 *January 1, 2025, 60 percent,*

15           “(iv) *in the case of property placed in*  
16 *service after December 31, 2024, and before*  
17 *January 1, 2026, 40 percent, and*

18           “(v) *in the case of property placed in*  
19 *service after December 31, 2025, and before*  
20 *January 1, 2027, 20 percent.*

21           “(B) *RULE FOR PROPERTY WITH LONGER*  
22 *PRODUCTION PERIODS.*—*In the case of property*  
23 *described in subparagraph (B) or (C) of para-*  
24 *graph (2), the term ‘applicable percentage’*  
25 *means—*

1           “(i) in the case of property placed in  
2           service after September 27, 2017, and before  
3           January 1, 2024, 100 percent,

4           “(ii) in the case of property placed in  
5           service after December 31, 2023, and before  
6           January 1, 2025, 80 percent,

7           “(iii) in the case of property placed in  
8           service after December 31, 2024, and before  
9           January 1, 2026, 60 percent,

10          “(iv) in the case of property placed in  
11          service after December 31, 2025, and before  
12          January 1, 2027, 40 percent, and

13          “(v) in the case of property placed in  
14          service after December 31, 2026, and before  
15          January 1, 2028, 20 percent.

16          “(C) *RULE FOR PLANTS BEARING FRUITS*  
17          *AND NUTS.*—*In the case of a specified plant de-*  
18          *scribed in paragraph (5), the term ‘applicable*  
19          *percentage’ means—*

20               “(i) in the case of a plant which is  
21               planted or grafted after September 27, 2017,  
22               and before January 1, 2023, 100 percent,

23               “(ii) in the case of a plant which is  
24               planted or grafted after December 31, 2022,  
25               and before January 1, 2024, 80 percent,

1           “(iii) in the case of a plant which is  
2           planted or grafted after December 31, 2023,  
3           and before January 1, 2025, 60 percent,

4           “(iv) in the case of a plant which is  
5           planted or grafted after December 31, 2024,  
6           and before January 1, 2026, 40 percent,  
7           and

8           “(v) in the case of a plant which is  
9           planted or grafted after December 31, 2025,  
10          and before January 1, 2027, 20 percent.”.

11          (3) *CONFORMING AMENDMENT.*—

12           (A) Paragraph (5) of section 168(k) is  
13          amended by striking subparagraph (F).

14           (B) Section 168(k) is amended by adding at  
15          the end the following new paragraph:

16           “(8) *PHASE DOWN.*—In the case of qualified  
17          property acquired by the taxpayer before September  
18          28, 2017, and placed in service by the taxpayer after  
19          September 27, 2017, paragraph (6) shall be applied  
20          by substituting for each percentage therein—

21           “(A) ‘50 percent’ in the case of—

22           “(i) property placed in service before  
23          January 1, 2018, and

1           “(ii) property described in subpara-  
2 graph (B) or (C) of paragraph (2) which is  
3 placed in service in 2018,

4           “(B) ‘40 percent’ in the case of—

5           “(i) property placed in service in 2018  
6 (other than property described in subpara-  
7 graph (B) or (C) of paragraph (2)), and

8           “(ii) property described in subpara-  
9 graph (B) or (C) of paragraph (2) which is  
10 placed in service in 2019,

11           “(C) ‘30 percent’ in the case of—

12           “(i) property placed in service in 2019  
13 (other than property described in subpara-  
14 graph (B) or (C) of paragraph (2)), and

15           “(ii) property described in subpara-  
16 graph (B) or (C) of paragraph (2) which is  
17 placed in service in 2020, and

18           “(D) ‘0 percent’ in the case of—

19           “(i) property placed in service after  
20 2019 (other than property described in sub-  
21 paragraph (B) or (C) of paragraph (2)),  
22 and

23           “(ii) property described in subpara-  
24 graph (B) or (C) of paragraph (2) which is  
25 placed in service after 2020.”.

1 (b) *EXTENSION.*—

2 (1) *IN GENERAL.*—*Section 168(k) is amended—*

3 (A) *in paragraph (2)—*

4 (i) *in subparagraph (A)(iii), clauses*  
5 *(i)(III) and (ii) of subparagraph (B), and*  
6 *subparagraph (E)(i), by striking “January*  
7 *1, 2020” each place it appears and insert-*  
8 *ing “January 1, 2027”, and*

9 (ii) *in subparagraph (B)—*

10 (I) *in clause (i)(II), by striking*  
11 *“January 1, 2021” and inserting*  
12 *“January 1, 2028”, and*

13 (II) *in the heading of clause (ii),*  
14 *by striking “PRE-JANUARY 1, 2020” and*  
15 *inserting “PRE-JANUARY 1, 2027”, and*

16 (B) *in paragraph (5)(A), by striking “Jan-*  
17 *uary 1, 2020” and inserting “January 1, 2027”.*

18 (2) *CONFORMING AMENDMENTS.*—

19 (A) *Clause (ii) of section 460(c)(6)(B) is*  
20 *amended by striking “January 1, 2020 (Janu-*  
21 *ary 1, 2021” and inserting “January 1, 2027*  
22 *(January 1, 2028”.*

23 (B) *The heading of section 168(k) is amend-*  
24 *ed by striking “ACQUIRED AFTER DECEMBER*  
25 *31, 2007, AND BEFORE JANUARY 1, 2020”.*

1       (c) *APPLICATION TO USED PROPERTY.*—

2               (1) *IN GENERAL.*—Section 168(k)(2)(A)(ii) is  
3       amended to read as follows:

4                       “(ii) the original use of which begins  
5                       with the taxpayer or the acquisition of  
6                       which by the taxpayer meets the require-  
7                       ments of clause (ii) of subparagraph (E),  
8                       and”.

9               (2) *ACQUISITION REQUIREMENTS.*—Section  
10       168(k)(2)(E)(ii) is amended to read as follows:

11                       “(ii) *ACQUISITION REQUIREMENTS.*—  
12                       An acquisition of property meets the re-  
13                       quirements of this clause if—

14                               “(I) such property was not used  
15                               by the taxpayer at any time prior to  
16                               such acquisition, and

17                               “(II) the acquisition of such prop-  
18                               erty meets the requirements of para-  
19                               graphs (2)(A), (2)(B), (2)(C), and (3)  
20                               of section 179(d).”,

21               (3) *ANTI-ABUSE RULES.*—Section 168(k)(2)(E)  
22       is further amended by amending clause (iii)(I) to  
23       read as follows:

1                   “(I) *property is used by a lessor*  
 2                   *of such property and such use is the*  
 3                   *lessor’s first use of such property,”.*

4           (d) *EXCEPTION FOR CERTAIN PROPERTY.—Section*  
 5 *168(k), as amended by this section, is amended by adding*  
 6 *at the end the following new paragraph:*

7                   “(9) *EXCEPTION FOR CERTAIN PROPERTY.—The*  
 8                   *term ‘qualified property’ shall not include—*

9                           “(A) *any property which is primarily used*  
 10                           *in a trade or business described in clause (iv) of*  
 11                           *section 163(j)(7)(A), or*

12                           “(B) *any property used in a trade or busi-*  
 13                           *ness that has had floor plan financing indebted-*  
 14                           *ness (as defined in paragraph (9) of section*  
 15                           *163(j)), if the floor plan financing interest re-*  
 16                           *lated to such indebtedness was taken into ac-*  
 17                           *count under paragraph (1)(C) of such section.”.*

18           (e) *SPECIAL RULE.—Section 168(k), as amended by*  
 19 *this section, is amended by adding at the end the following*  
 20 *new paragraph:*

21                   “(10) *SPECIAL RULE FOR PROPERTY PLACED IN*  
 22                   *SERVICE DURING CERTAIN PERIODS.—*

23                           “(A) *IN GENERAL.—In the case of qualified*  
 24                           *property placed in service by the taxpayer dur-*  
 25                           *ing the first taxable year ending after September*

1           27, 2017, if the taxpayer elects to have this para-  
 2           graph apply for such taxable year, paragraphs  
 3           (1)(A) and (5)(A)(i) shall be applied by sub-  
 4           stituting ‘50 percent’ for ‘the applicable percent-  
 5           age’.

6           “(B) *FORM OF ELECTION.*—Any election  
 7           under this paragraph shall be made at such time  
 8           and in such form and manner as the Secretary  
 9           may prescribe.”.

10          (f) *COORDINATION WITH SECTION 280F.*—Clause (iii)  
 11         of section 168(k)(2)(F) is amended by striking “placed in  
 12         service by the taxpayer after December 31, 2017” and in-  
 13         serting “acquired by the taxpayer before September 28,  
 14         2017, and placed in service by the taxpayer after September  
 15         27, 2017”.

16          (g) *QUALIFIED FILM AND TELEVISION AND LIVE THE-*  
 17         *ATRICAL PRODUCTIONS.*—

18                 (1) *IN GENERAL.*—Clause (i) of section  
 19                 168(k)(2)(A), as amended by section 13204, is amend-  
 20                 ed—

21                         (A) in subclause (II), by striking “or”,

22                         (B) in subclause (III), by adding “or” after  
 23                         the comma, and

24                         (C) by adding at the end the following:



1           “(IV) which is a qualified film or tele-  
2           vision production (as defined in subsection  
3           (d) of section 181) for which a deduction  
4           would have been allowable under section  
5           181 without regard to subsections (a)(2)  
6           and (g) of such section or this subsection, or

7           “(V) which is a qualified live theat-  
8           rical production (as defined in subsection  
9           (e) of section 181) for which a deduction  
10          would have been allowable under section  
11          181 without regard to subsections (a)(2)  
12          and (g) of such section or this subsection.”.

13           (2) *PRODUCTION PLACED IN SERVICE.*—Para-  
14          graph (2) of section 168(k) is amended by adding at  
15          the end the following:

16                   “(H) *PRODUCTION PLACED IN SERVICE.*—  
17          For purposes of subparagraph (A)—

18                           “(i) a qualified film or television pro-  
19                           duction shall be considered to be placed in  
20                           service at the time of initial release or  
21                           broadcast, and

22                           “(ii) a qualified live theatrical produc-  
23                           tion shall be considered to be placed in serv-  
24                           ice at the time of the initial live staged per-  
25                           formance.”.

1       (h) *EFFECTIVE DATE.*—

2               (1) *IN GENERAL.*—*Except as provided by para-*  
 3 *graph (2), the amendments made by this section shall*  
 4 *apply to property which—*

5                       (A) *is acquired after September 27, 2017,*  
 6                       *and*

7                       (B) *is placed in service after such date.*

8       *For purposes of the preceding sentence, property shall*  
 9 *not be treated as acquired after the date on which a*  
 10 *written binding contract is entered into for such ac-*  
 11 *quisition.*

12               (2) *SPECIFIED PLANTS.*—*The amendments made*  
 13 *by this section shall apply to specified plants planted*  
 14 *or grafted after September 27, 2017.*

15 **SEC. 13202. MODIFICATIONS TO DEPRECIATION LIMITA-**  
 16 **TIONS ON LUXURY AUTOMOBILES AND PER-**  
 17 **SONAL USE PROPERTY.**

18       (a) *LUXURY AUTOMOBILES.*—

19               (1) *IN GENERAL.*—*280F(a)(1)(A) is amended—*

20                       (A) *in clause (i), by striking “\$2,560” and*  
 21 *inserting “\$10,000”,*

22                       (B) *in clause (ii), by striking “\$4,100” and*  
 23 *inserting “\$16,000”,*

24                       (C) *in clause (iii), by striking “\$2,450” and*  
 25 *inserting “\$9,600”, and*

1           (D) in clause (iv), by striking “\$1,475” and  
2           inserting “\$5,760”.

3           (2) *CONFORMING AMENDMENTS.*—

4           (A) Clause (ii) of section 280F(a)(1)(B) is  
5           amended by striking “\$1,475” in the text and  
6           heading and inserting “\$5,760”.

7           (B) Paragraph (7) of section 280F(d) is  
8           amended—

9                   (i) in subparagraph (A), by striking  
10                   “1988” and inserting “2018”, and

11                   (ii) in subparagraph (B)(i)(II), by  
12                   striking “1987” and inserting “2017”.

13           (b) *REMOVAL OF COMPUTER EQUIPMENT FROM LIST-*  
14 *ED PROPERTY.*—

15           (1) *IN GENERAL.*—Section 280F(d)(4)(A) is  
16           amended—

17                   (A) by inserting “and” at the end of clause  
18                   (iii),

19                   (B) by striking clause (iv), and

20                   (C) by redesignating clause (v) as clause  
21                   (iv).

22           (2) *CONFORMING AMENDMENT.*—Section  
23           280F(d)(4) is amended by striking subparagraph (B)  
24           and by redesignating subparagraph (C) as subpara-  
25           graph (B).

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to property placed in service after De-*  
 3 *cember 31, 2017, in taxable years ending after such date.*

4 **SEC. 13203. MODIFICATIONS OF TREATMENT OF CERTAIN**  
 5 **FARM PROPERTY.**

6       (a) *TREATMENT OF CERTAIN FARM PROPERTY AS 5-*  
 7 *YEAR PROPERTY.*—*Clause (vii) of section 168(e)(3)(B) is*  
 8 *amended by striking “after December 31, 2008, and which*  
 9 *is placed in service before January 1, 2010” and inserting*  
 10 *“after December 31, 2017”.*

11       (b) *REPEAL OF REQUIRED USE OF 150-PERCENT DE-*  
 12 *CLINING BALANCE METHOD.*—*Section 168(b)(2) is amend-*  
 13 *ed by striking subparagraph (B) and by redesignating sub-*  
 14 *paragraphs (C) and (D) as subparagraphs (B) and (C), re-*  
 15 *spectively.*

16       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 17 *section shall apply to property placed in service after De-*  
 18 *cember 31, 2017, in taxable years ending after such date.*

19 **SEC. 13204. APPLICABLE RECOVERY PERIOD FOR REAL**  
 20 **PROPERTY.**

21       (a) *IMPROVEMENTS TO REAL PROPERTY.*—

22               (1) *ELIMINATION OF QUALIFIED LEASEHOLD IM-*  
 23 *PROVEMENT, QUALIFIED RESTAURANT, AND QUALI-*  
 24 *FIED RETAIL IMPROVEMENT PROPERTY.*—*Subsection*  
 25 *(e) of section 168 is amended—*

1           (A) in subparagraph (E) of paragraph  
 2       (3)—  
 3           (i) by striking clauses (iv), (v), and  
 4       (ix),  
 5           (ii) in clause (vii), by inserting “and”  
 6       at the end,  
 7           (iii) in clause (viii), by striking “,  
 8       and” and inserting a period, and  
 9           (iv) by redesignating clauses (vi), (vii),  
 10       and (viii), as so amended, as clauses (iv),  
 11       (v), and (vi), respectively, and  
 12       (B) by striking paragraphs (6), (7), and  
 13       (8).

14       (2) *APPLICATION OF STRAIGHT LINE METHOD TO*  
 15       *QUALIFIED IMPROVEMENT PROPERTY.*—Paragraph (3)  
 16       of section 168(b) is amended—

17           (A) by striking subparagraphs (G), (H),  
 18       and (I), and  
 19           (B) by inserting after subparagraph (F) the  
 20       following new subparagraph:  
 21           “(G) Qualified improvement property de-  
 22       scribed in subsection (e)(6).”  
 23       (3) *ALTERNATIVE DEPRECIATION SYSTEM.*—

1           (A) *ELECTING REAL PROPERTY TRADE OR*  
2           *BUSINESS.*—*Subsection (g) of section 168 is*  
3           *amended—*

4                   (i) *in paragraph (1)—*

5                           (I) *in subparagraph (D), by strik-*  
6                           *ing “and” at the end,*

7                           (II) *in subparagraph (E), by in-*  
8                           *serting “and” at the end, and*

9                           (III) *by inserting after subpara-*  
10                           *graph (E) the following new subpara-*  
11                           *graph:*

12                   “(F) *any property described in paragraph*  
13                   *(8),” and*

14                           (ii) *by adding at the end the following*  
15                           *new paragraph:*

16                   “(8) *ELECTING REAL PROPERTY TRADE OR BUSI-*  
17                   *NESS.*—*The property described in this paragraph*  
18                   *shall consist of any nonresidential real property, resi-*  
19                   *dential rental property, and qualified improvement*  
20                   *property held by an electing real property trade or*  
21                   *business (as defined in 163(j)(7)(B)).”.*

22                   (B) *QUALIFIED IMPROVEMENT PROPERTY.*—

23                   *The table contained in subparagraph (B) of sec-*  
24                   *tion 168(g)(3) is amended—*

1                   *(i) by inserting after the item relating*  
 2                   *to subparagraph (D)(ii) the following new*  
 3                   *item:*

“*(D)(v)* ..... 20”

4   , *and*

5                   *(ii) by striking the item relating to*  
 6                   *subparagraph (E)(iv) and all that follows*  
 7                   *through the item relating to subparagraph*  
 8                   *(E)(ix) and inserting the following:*

“*(E)(iv)* ..... 20  
*(E)(v)* ..... 30  
*(E)(vi)* ..... 35”.

9                   (C) *APPLICABLE RECOVERY PERIOD FOR*  
 10                   *RESIDENTIAL RENTAL PROPERTY.—The table*  
 11                   *contained in subparagraph (C) of section*  
 12                   *168(g)(2) is amended by striking clauses (iii)*  
 13                   *and (iv) and inserting the following:*

“*(iii) Residential rental property* ..... 30 years  
*(iv) Nonresidential real property* ..... 40 years  
*(v) Any railroad grading or tunnel bore or water utility prop-*  
*erty* ..... 50 years”.

14                   (4) *CONFORMING AMENDMENTS.—*

15                   (A) *Clause (i) of section 168(k)(2)(A) is*  
 16                   *amended—*

17   *(i) in subclause (II), by inserting “or”*  
 18   *after the comma,*

19   *(ii) in subclause (III), by striking “or”*  
 20   *at the end, and*

21   *(iii) by striking subclause (IV).*

22                   (B) *Section 168 is amended—*

1           (i) in subsection (e), as amended by  
2           paragraph (1)(B), by adding at the end the  
3           following:

4           “(6) *QUALIFIED IMPROVEMENT PROPERTY.*—

5           “(A) *IN GENERAL.*—The term ‘qualified im-  
6           provement property’ means any improvement to  
7           an interior portion of a building which is non-  
8           residential real property if such improvement is  
9           placed in service after the date such building was  
10          first placed in service.

11          “(B) *CERTAIN IMPROVEMENTS NOT IN-*  
12          *CLUDED.*—Such term shall not include any im-  
13          provement for which the expenditure is attrib-  
14          utable to—

15                 “(i) the enlargement of the building,

16                 “(ii) any elevator or escalator, or

17                 “(iii) the internal structural frame-  
18          work of the building.”, and

19                 (ii) in subsection (k), by striking para-  
20          graph (3).

21          (b) *EFFECTIVE DATE.*—

22                 (1) *IN GENERAL.*—Except as provided in para-  
23          graph (2), the amendments made by this section shall  
24          apply to property placed in service after December  
25          31, 2017.



1           (2) *AMENDMENTS RELATED TO ELECTING REAL*  
2           *PROPERTY TRADE OR BUSINESS.—The amendments*  
3           *made by subsection (a)(3)(A) shall apply to taxable*  
4           *years beginning after December 31, 2017.*

5   **SEC. 13205. USE OF ALTERNATIVE DEPRECIATION SYSTEM**  
6                           **FOR ELECTING FARMING BUSINESSES.**

7           (a) *IN GENERAL.—Section 168(g)(1), as amended by*  
8           *section 13204, is amended by striking “and” at the end of*  
9           *subparagraph (E), by inserting “and” at the end of sub-*  
10           *paragraph (F), and by inserting after subparagraph (F)*  
11           *the following new subparagraph:*

12                           *“(G) any property with a recovery period of*  
13                           *10 years or more which is held by an electing*  
14                           *farming business (as defined in section*  
15                           *163(j)(7)(C)),”.*

16           (b) *EFFECTIVE DATE.—The amendments made by this*  
17           *section shall apply to taxable years beginning after Decem-*  
18           *ber 31, 2017.*

19   **SEC. 13206. AMORTIZATION OF RESEARCH AND EXPERI-**  
20                           **MENTAL EXPENDITURES.**

21           (a) *IN GENERAL.—Section 174 is amended to read as*  
22           *follows:*

1 **“SEC. 174. AMORTIZATION OF RESEARCH AND EXPERI-**  
2 **MENTAL EXPENDITURES.**

3 “(a) *IN GENERAL.*—*In the case of a taxpayer’s speci-*  
4 *fied research or experimental expenditures for any taxable*  
5 *year—*

6 “(1) *except as provided in paragraph (2), no de-*  
7 *duction shall be allowed for such expenditures, and*

8 “(2) *the taxpayer shall—*

9 “(A) *charge such expenditures to capital ac-*  
10 *count, and*

11 “(B) *be allowed an amortization deduction*  
12 *of such expenditures ratably over the 5-year pe-*  
13 *riod (15-year period in the case of any specified*  
14 *research or experimental expenditures which are*  
15 *attributable to foreign research (within the*  
16 *meaning of section 41(d)(4)(F))) beginning with*  
17 *the midpoint of the taxable year in which such*  
18 *expenditures are paid or incurred.*

19 “(b) *SPECIFIED RESEARCH OR EXPERIMENTAL EX-*  
20 *PENDITURES.*—*For purposes of this section, the term ‘speci-*  
21 *fied research or experimental expenditures’ means, with re-*  
22 *spect to any taxable year, research or experimental expendi-*  
23 *tures which are paid or incurred by the taxpayer during*  
24 *such taxable year in connection with the taxpayer’s trade*  
25 *or business.*

26 “(c) *SPECIAL RULES.*—

1           “(1) *LAND AND OTHER PROPERTY.*—*This section*  
2           *shall not apply to any expenditure for the acquisition*  
3           *or improvement of land, or for the acquisition or im-*  
4           *provement of property to be used in connection with*  
5           *the research or experimentation and of a character*  
6           *which is subject to the allowance under section 167*  
7           *(relating to allowance for depreciation, etc.) or section*  
8           *611 (relating to allowance for depletion); but for pur-*  
9           *poses of this section allowances under section 167,*  
10          *and allowances under section 611, shall be considered*  
11          *as expenditures.*

12           “(2) *EXPLORATION EXPENDITURES.*—*This sec-*  
13          *tion shall not apply to any expenditure paid or in-*  
14          *curring for the purpose of ascertaining the existence,*  
15          *location, extent, or quality of any deposit of ore or*  
16          *other mineral (including oil and gas).*

17           “(3) *SOFTWARE DEVELOPMENT.*—*For purposes*  
18          *of this section, any amount paid or incurred in con-*  
19          *nection with the development of any software shall be*  
20          *treated as a research or experimental expenditure.*

21           “(d) *TREATMENT UPON DISPOSITION, RETIREMENT,*  
22          *OR ABANDONMENT.*—*If any property with respect to which*  
23          *specified research or experimental expenditures are paid or*  
24          *incurred is disposed, retired, or abandoned during the pe-*  
25          *riod during which such expenditures are allowed as an am-*

1 *ortization deduction under this section, no deduction shall*  
2 *be allowed with respect to such expenditures on account of*  
3 *such disposition, retirement, or abandonment and such am-*  
4 *ortization deduction shall continue with respect to such ex-*  
5 *penditures.”.*

6 (b) *CHANGE IN METHOD OF ACCOUNTING.—The*  
7 *amendments made by subsection (a) shall be treated as a*  
8 *change in method of accounting for purposes of section 481*  
9 *of the Internal Revenue Code of 1986 and—*

10 (1) *such change shall be treated as initiated by*  
11 *the taxpayer,*

12 (2) *such change shall be treated as made with the*  
13 *consent of the Secretary, and*

14 (3) *such change shall be applied only on a cut-*  
15 *off basis for any research or experimental expendi-*  
16 *tures paid or incurred in taxable years beginning*  
17 *after December 31, 2021, and no adjustments under*  
18 *section 481(a) shall be made.*

19 (c) *CLERICAL AMENDMENT.—The table of sections for*  
20 *part VI of subchapter B of chapter 1 is amended by striking*  
21 *the item relating to section 174 and inserting the following*  
22 *new item:*

*“Sec. 174. Amortization of research and experimental expenditures.”.*

23 (d) *CONFORMING AMENDMENTS.—*

24 (1) *Section 41(d)(1)(A) is amended by striking*  
25 *“expenses under section 174” and inserting “specified*

1       *research or experimental expenditures under section*  
2       *174”.*

3             (2) *Subsection (c) of section 280C is amended—*

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

6             “(1) *IN GENERAL.—If—*

7                             (A) *the amount of the credit determined*  
8             *for the taxable year under section 41(a)(1), ex-*  
9             *ceeds*

10                            (B) *the amount allowable as a deduction*  
11             *for such taxable year for qualified research ex-*  
12             *penditures or basic research expenses,*

13       *the amount chargeable to capital account for the tax-*  
14       *able year for such expenses shall be reduced by the*  
15       *amount of such excess.”,*

16                     (B) *by striking paragraph (2),*

17                     (C) *by redesignating paragraphs (3) (as*  
18             *amended by this Act) and (4) as paragraphs (2)*  
19             *and (3), respectively, and*

20                     (D) *in paragraph (2), as redesignated by*  
21             *subparagraph (C), by striking “paragraphs (1)*  
22             *and (2)” and inserting “paragraph (1)”.*

23       (e) *EFFECTIVE DATE.—The amendments made by this*  
24       *section shall apply to amounts paid or incurred in taxable*  
25       *years beginning after December 31, 2021.*

1 **SEC. 13207. EXPENSING OF CERTAIN COSTS OF REPLANT-**  
2 **ING CITRUS PLANTS LOST BY REASON OF**  
3 **CASUALTY.**

4 *(a) IN GENERAL.—Section 263A(d)(2) is amended by*  
5 *adding at the end the following new subparagraph:*

6 *“(C) SPECIAL TEMPORARY RULE FOR CIT-*  
7 *RUS PLANTS LOST BY REASON OF CASUALTY.—*

8 *“(i) IN GENERAL.—In the case of the*  
9 *replanting of citrus plants, subparagraph*  
10 *(A) shall apply to amounts paid or in-*  
11 *curring by a person (other than the taxpayer*  
12 *described in subparagraph (A)) if—*

13 *“(I) the taxpayer described in*  
14 *subparagraph (A) has an equity inter-*  
15 *est of not less than 50 percent in the*  
16 *replanted citrus plants at all times*  
17 *during the taxable year in which such*  
18 *amounts were paid or incurred and*  
19 *such other person holds any part of the*  
20 *remaining equity interest, or*

21 *“(II) such other person acquired*  
22 *the entirety of such taxpayer’s equity*  
23 *interest in the land on which the lost*  
24 *or damaged citrus plants were located*  
25 *at the time of such loss or damage, and*  
26 *the replanting is on such land.*

1                   “(i) *TERMINATION.*—Clause (i) shall  
 2                   not apply to any cost paid or incurred after  
 3                   the date which is 10 years after the date of  
 4                   the enactment of the Tax Cuts and Jobs  
 5                   Act.”.

6                   (b) *EFFECTIVE DATE.*—The amendment made by this  
 7                   section shall apply to costs paid or incurred after the date  
 8                   of the enactment of this Act.

9                   **Subpart B—Accounting Methods**

10 **SEC. 13221. CERTAIN SPECIAL RULES FOR TAXABLE YEAR**  
 11 **OF INCLUSION.**

12                   (a) *INCLUSION NOT LATER THAN FOR FINANCIAL AC-*  
 13 *COUNTING PURPOSES.*—Section 451 is amended by redesignig-  
 14 *nating subsections (b) through (i) as subsections (c) through*  
 15 *(j), respectively, and by inserting after subsection (a) the*  
 16 *following new subsection:*

17                   “(b) *INCLUSION NOT LATER THAN FOR FINANCIAL AC-*  
 18 *COUNTING PURPOSES.*—

19                   “(1) *INCOME TAKEN INTO ACCOUNT IN FINANCIAL*  
 20 *STATEMENT.*—

21                   “(A) *IN GENERAL.*—In the case of a tax-  
 22                   payer the taxable income of which is computed  
 23                   under an accrual method of accounting, the all  
 24                   events test with respect to any item of gross in-  
 25                   come (or portion thereof) shall not be treated as

1 met any later than when such item (or portion  
2 thereof) is taken into account as revenue in—

3 “(i) an applicable financial statement  
4 of the taxpayer, or

5 “(ii) such other financial statement as  
6 the Secretary may specify for purposes of  
7 this subsection.

8 “(B) EXCEPTION.—This paragraph shall  
9 not apply to—

10 “(i) a taxpayer which does not have a  
11 financial statement described in clause (i)  
12 or (ii) of subparagraph (A) for a taxable  
13 year, or

14 “(ii) any item of gross income in con-  
15 nection with a mortgage servicing contract.

16 “(C) ALL EVENTS TEST.—For purposes of  
17 this section, the all events test is met with respect  
18 to any item of gross income if all the events have  
19 occurred which fix the right to receive such in-  
20 come and the amount of such income can be de-  
21 termined with reasonable accuracy.

22 “(2) COORDINATION WITH SPECIAL METHODS OF  
23 ACCOUNTING.—Paragraph (1) shall not apply with  
24 respect to any item of gross income for which the tax-  
25 payer uses a special method of accounting provided



1 *under any other provision of this chapter, other than*  
2 *any provision of part V of subchapter P (except as*  
3 *provided in clause (ii) of paragraph (1)(B)).*

4 “(3) *APPLICABLE FINANCIAL STATEMENT.*—*For*  
5 *purposes of this subsection, the term ‘applicable fi-*  
6 *ancial statement’ means—*

7 “(A) *a financial statement which is cer-*  
8 *tified as being prepared in accordance with gen-*  
9 *erally accepted accounting principles and which*  
10 *is—*

11 “(i) *a 10–K (or successor form), or an-*  
12 *ual statement to shareholders, required to*  
13 *be filed by the taxpayer with the United*  
14 *States Securities and Exchange Commis-*  
15 *sion,*

16 “(ii) *an audited financial statement of*  
17 *the taxpayer which is used for—*

18 “(I) *credit purposes,*

19 “(II) *reporting to shareholders,*  
20 *partners, or other proprietors, or to*  
21 *beneficiaries, or*

22 “(III) *any other substantial*  
23 *nontax purpose,*

24 *but only if there is no statement of the tax-*  
25 *payer described in clause (i), or*

1           “(iii) filed by the taxpayer with any  
2           other Federal agency for purposes other  
3           than Federal tax purposes, but only if there  
4           is no statement of the taxpayer described in  
5           clause (i) or (ii),

6           “(B) a financial statement which is made  
7           on the basis of international financial reporting  
8           standards and is filed by the taxpayer with an  
9           agency of a foreign government which is equiva-  
10          lent to the United States Securities and Ex-  
11          change Commission and which has reporting  
12          standards not less stringent than the standards  
13          required by such Commission, but only if there  
14          is no statement of the taxpayer described in sub-  
15          paragraph (A), or

16          “(C) a financial statement filed by the tax-  
17          payer with any other regulatory or governmental  
18          body specified by the Secretary, but only if there  
19          is no statement of the taxpayer described in sub-  
20          paragraph (A) or (B).

21          “(4) ALLOCATION OF TRANSACTION PRICE.—For  
22          purposes of this subsection, in the case of a contract  
23          which contains multiple performance obligations, the  
24          allocation of the transaction price to each perform-  
25          ance obligation shall be equal to the amount allocated

1     *to each performance obligation for purposes of includ-*  
2     *ing such item in revenue in the applicable financial*  
3     *statement of the taxpayer.*

4             “(5) *GROUP OF ENTITIES.*—*For purposes of*  
5     *paragraph (1), if the financial results of a taxpayer*  
6     *are reported on the applicable financial statement (as*  
7     *defined in paragraph (3)) for a group of entities, such*  
8     *statement shall be treated as the applicable financial*  
9     *statement of the taxpayer.”.*

10     *(b) TREATMENT OF ADVANCE PAYMENTS.*—*Section*  
11     *451, as amended by subsection (a), is amended by redesign-*  
12     *ating subsections (c) through (j) as subsections (d) through*  
13     *(k), respectively, and by inserting after subsection (b) the*  
14     *following new subsection:*

15             “(c) *TREATMENT OF ADVANCE PAYMENTS.*—

16             “(1) *IN GENERAL.*—*A taxpayer which computes*  
17     *taxable income under the accrual method of account-*  
18     *ing, and receives any advance payment during the*  
19     *taxable year, shall—*

20             “(A) *except as provided in subparagraph*  
21     *(B), include such advance payment in gross in-*  
22     *come for such taxable year, or*

23             “(B) *if the taxpayer elects the application*  
24     *of this subparagraph with respect to the category*

1           *of advance payments to which such advance pay-*  
2           *ment belongs, the taxpayer shall—*

3                   “(i) *to the extent that any portion of*  
4                   *such advance payment is required under*  
5                   *subsection (b) to be included in gross in-*  
6                   *come in the taxable year in which such pay-*  
7                   *ment is received, so include such portion,*  
8                   *and*

9                   “(ii) *include the remaining portion of*  
10                   *such advance payment in gross income in*  
11                   *the taxable year following the taxable year*  
12                   *in which such payment is received.*

13           “(2) *ELECTION.—*

14                   “(A) *IN GENERAL.—Except as otherwise*  
15                   *provided in this paragraph, the election under*  
16                   *paragraph (1)(B) shall be made at such time, in*  
17                   *such form and manner, and with respect to such*  
18                   *categories of advance payments, as the Secretary*  
19                   *may provide.*

20                   “(B) *PERIOD TO WHICH ELECTION AP-*  
21                   *PLIES.—An election under paragraph (1)(B)*  
22                   *shall be effective for the taxable year with respect*  
23                   *to which it is first made and for all subsequent*  
24                   *taxable years, unless the taxpayer secures the*  
25                   *consent of the Secretary to revoke such election.*

1           *For purposes of this title, the computation of*  
2           *taxable income under an election made under*  
3           *paragraph (1)(B) shall be treated as a method of*  
4           *accounting.*

5           “(3) *TAXPAYERS CEASING TO EXIST.*—*Except as*  
6           *otherwise provided by the Secretary, the election*  
7           *under paragraph (1)(B) shall not apply with respect*  
8           *to advance payments received by the taxpayer during*  
9           *a taxable year if such taxpayer ceases to exist during*  
10           *(or with the close of) such taxable year.*

11           “(4) *ADVANCE PAYMENT.*—*For purposes of this*  
12           *subsection—*

13                   “(A) *IN GENERAL.*—*The term ‘advance pay-*  
14                   *ment’ means any payment—*

15                           “(i) *the full inclusion of which in the*  
16                           *gross income of the taxpayer for the taxable*  
17                           *year of receipt is a permissible method of*  
18                           *accounting under this section (determined*  
19                           *without regard to this subsection),*

20                           “(ii) *any portion of which is included*  
21                           *in revenue by the taxpayer in a financial*  
22                           *statement described in clause (i) or (ii) of*  
23                           *subsection (b)(1)(A) for a subsequent taxable*  
24                           *year, and*

1           “(iii) which is for goods, services, or  
2           such other items as may be identified by the  
3           Secretary for purposes of this clause.

4           “(B) *EXCLUSIONS.*—Except as otherwise  
5           provided by the Secretary, such term shall not  
6           include—

7                   “(i) rent,

8                   “(ii) insurance premiums governed by  
9                   subchapter L,

10                   “(iii) payments with respect to finan-  
11                   cial instruments,

12                   “(iv) payments with respect to war-  
13                   ranty or guarantee contracts under which a  
14                   third party is the primary obligor,

15                   “(v) payments subject to section  
16                   871(a), 881, 1441, or 1442,

17                   “(vi) payments in property to which  
18                   section 83 applies, and

19                   “(vii) any other payment identified by  
20                   the Secretary for purposes of this subpara-  
21                   graph.

22           “(C) *RECEIPT.*—For purposes of this sub-  
23           section, an item of gross income is received by  
24           the taxpayer if it is actually or constructively re-

1           *ceived, or if it is due and payable to the tax-*  
2           *payer.*

3           “(D) *ALLOCATION OF TRANSACTION*  
4           *PRICE.—For purposes of this subsection, rules*  
5           *similar to subsection (b)(4) shall apply.”.*

6           (c) *EFFECTIVE DATE.—The amendments made by this*  
7           *section shall apply to taxable years beginning after Decem-*  
8           *ber 31, 2017.*

9           (d) *COORDINATION WITH SECTION 481.—*

10           (1) *IN GENERAL.—In the case of any qualified*  
11           *change in method of accounting for the taxpayer’s*  
12           *first taxable year beginning after December 31,*  
13           *2017—*

14                   (A) *such change shall be treated as initiated*  
15                   *by the taxpayer, and*

16                   (B) *such change shall be treated as made*  
17                   *with the consent of the Secretary of the Treasury.*

18           (2) *QUALIFIED CHANGE IN METHOD OF AC-*  
19           *COUNTING.—For purposes of this subsection, the term*  
20           *“qualified change in method of accounting” means*  
21           *any change in method of accounting which—*

22                   (A) *is required by the amendments made by*  
23                   *this section, or*

24                   (B) *was prohibited under the Internal Rev-*  
25                   *enue Code of 1986 prior to such amendments*

1           *and is permitted under such Code after such*  
2           *amendments.*

3           *(e) SPECIAL RULES FOR ORIGINAL ISSUE DIS-*  
4           *COUNT.—Notwithstanding subsection (c), in the case of in-*  
5           *come from a debt instrument having original issue dis-*  
6           *count—*

7           *(1) the amendments made by this section shall*  
8           *apply to taxable years beginning after December 31,*  
9           *2018, and*

10           *(2) the period for taking into account any ad-*  
11           *justments under section 481 by reason of a qualified*  
12           *change in method of accounting (as defined in sub-*  
13           *section (d)) shall be 6 years.*

14           ***PART IV—BUSINESS-RELATED EXCLUSIONS AND***  
15   ***DEDUCTIONS***

16           ***SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST.***

17           *(a) IN GENERAL.—Section 163(j) is amended to read*  
18           *as follows:*

19           *“(j) LIMITATION ON BUSINESS INTEREST.—*

20                                   *“(1) IN GENERAL.—The amount allowed as a de-*  
21           *duction under this chapter for any taxable year for*  
22           *business interest shall not exceed the sum of—*

23                                   *“(A) the business interest income of such*  
24           *taxpayer for such taxable year,*



1           “(B) 30 percent of the adjusted taxable in-  
2           come of such taxpayer for such taxable year, plus

3           “(C) the floor plan financing interest of  
4           such taxpayer for such taxable year.

5           *The amount determined under subparagraph (B)*  
6           *shall not be less than zero.*

7           “(2) *CARRYFORWARD OF DISALLOWED BUSINESS*  
8           *INTEREST.—The amount of any business interest not*  
9           *allowed as a deduction for any taxable year by reason*  
10          *of paragraph (1) shall be treated as business interest*  
11          *paid or accrued in the succeeding taxable year.*

12          “(3) *EXEMPTION FOR CERTAIN SMALL BUSI-*  
13          *NESSES.—In the case of any taxpayer (other than a*  
14          *tax shelter prohibited from using the cash receipts*  
15          *and disbursements method of accounting under sec-*  
16          *tion 448(a)(3)) which meets the gross receipts test of*  
17          *section 448(c) for any taxable year, paragraph (1)*  
18          *shall not apply to such taxpayer for such taxable*  
19          *year. In the case of any taxpayer which is not a cor-*  
20          *poration or a partnership, the gross receipts test of*  
21          *section 448(c) shall be applied in the same manner as*  
22          *if such taxpayer were a corporation or partnership.*

23          “(4) *APPLICATION TO PARTNERSHIPS, ETC.—*

24                 “(A) *IN GENERAL.—In the case of any part-*  
25                 *nership—*

1           “(i) this subsection shall be applied at  
2           the partnership level and any deduction for  
3           business interest shall be taken into account  
4           in determining the non-separately stated  
5           taxable income or loss of the partnership,  
6           and

7           “(ii) the adjusted taxable income of  
8           each partner of such partnership—

9                   “(I) shall be determined without  
10                  regard to such partner’s distributive  
11                  share of any items of income, gain, de-  
12                  duction, or loss of such partnership,  
13                  and

14                   “(II) shall be increased by such  
15                  partner’s distributive share of such  
16                  partnership’s excess taxable income.

17           For purposes of clause (ii)(II), a partner’s  
18           distributive share of partnership excess tax-  
19           able income shall be determined in the same  
20           manner as the partner’s distributive share  
21           of nonseparately stated taxable income or  
22           loss of the partnership.

23           “(B)           SPECIAL           RULES           FOR  
24           CARRYFORWARDS.—

1           “(i) *IN GENERAL.*—*The amount of any*  
2           *business interest not allowed as a deduction*  
3           *to a partnership for any taxable year by*  
4           *reason of paragraph (1) for any taxable*  
5           *year—*

6                     “(I) *shall not be treated under*  
7                     *paragraph (2) as business interest paid*  
8                     *or accrued by the partnership in the*  
9                     *succeeding taxable year, and*

10                    “(II) *shall, subject to clause (ii),*  
11                    *be treated as excess business interest*  
12                    *which is allocated to each partner in*  
13                    *the same manner as the non-separately*  
14                    *stated taxable income or loss of the*  
15                    *partnership.*

16                    “(ii) *TREATMENT OF EXCESS BUSI-*  
17                    *NESS INTEREST ALLOCATED TO PART-*  
18                    *NERS.*—*If a partner is allocated any excess*  
19                    *business interest from a partnership under*  
20                    *clause (i) for any taxable year—*

21                    “(I) *such excess business interest*  
22                    *shall be treated as business interest*  
23                    *paid or accrued by the partner in the*  
24                    *next succeeding taxable year in which*  
25                    *the partner is allocated excess taxable*

1 *income from such partnership, but*  
2 *only to the extent of such excess taxable*  
3 *income, and*

4 *“(II) any portion of such excess*  
5 *business interest remaining after the*  
6 *application of subclause (I) shall, sub-*  
7 *ject to the limitations of subclause (I),*  
8 *be treated as business interest paid or*  
9 *accrued in succeeding taxable years.*

10 *For purposes of applying this paragraph,*  
11 *excess taxable income allocated to a partner*  
12 *from a partnership for any taxable year*  
13 *shall not be taken into account under para-*  
14 *graph (1)(A) with respect to any business*  
15 *interest other than excess business interest*  
16 *from the partnership until all such excess*  
17 *business interest for such taxable year and*  
18 *all preceding taxable years has been treated*  
19 *as paid or accrued under clause (ii).*

20 *“(iii) BASIS ADJUSTMENTS.—*

21 *“(I) IN GENERAL.—The adjusted*  
22 *basis of a partner in a partnership in-*  
23 *terest shall be reduced (but not below*  
24 *zero) by the amount of excess business*

1 *interest allocated to the partner under*  
2 *clause (i)(II).*

3 “(II) *SPECIAL RULE FOR DISPOSI-*  
4 *TIONS.—If a partner disposes of a*  
5 *partnership interest, the adjusted basis*  
6 *of the partner in the partnership inter-*  
7 *est shall be increased immediately be-*  
8 *fore the disposition by the amount of*  
9 *the excess (if any) of the amount of the*  
10 *basis reduction under subclause (I)*  
11 *over the portion of any excess business*  
12 *interest allocated to the partner under*  
13 *clause (i)(II) which has previously*  
14 *been treated under clause (ii) as busi-*  
15 *ness interest paid or accrued by the*  
16 *partner. The preceding sentence shall*  
17 *also apply to transfers of the partner-*  
18 *ship interest (including by reason of*  
19 *death) in a transaction in which gain*  
20 *is not recognized in whole or in part.*  
21 *No deduction shall be allowed to the*  
22 *transferor or transferee under this*  
23 *chapter for any excess business interest*  
24 *resulting in a basis increase under this*  
25 *subclause.*

1           “(C) *EXCESS TAXABLE INCOME.*—*The term*  
2           *‘excess taxable income’ means, with respect to*  
3           *any partnership, the amount which bears the*  
4           *same ratio to the partnership’s adjusted taxable*  
5           *income as—*

6                     “(i) *the excess (if any) of—*

7                             “(I) *the amount determined for*  
8                             *the partnership under paragraph*  
9                             *(1)(B), over*

10                            “(II) *the amount (if any) by*  
11                            *which the business interest of the part-*  
12                            *nership, reduced by the floor plan fi-*  
13                            *nancing interest, exceeds the business*  
14                            *interest income of the partnership,*  
15                            *bears to*

16                            “(ii) *the amount determined for the*  
17                            *partnership under paragraph (1)(B).*

18           “(D) *APPLICATION TO S CORPORATIONS.*—  
19           *Rules similar to the rules of subparagraphs (A)*  
20           *and (C) shall apply with respect to any S cor-*  
21           *poration and its shareholders.*

22           “(5) *BUSINESS INTEREST.*—*For purposes of this*  
23           *subsection, the term ‘business interest’ means any in-*  
24           *terest paid or accrued on indebtedness properly allo-*  
25           *cable to a trade or business. Such term shall not in-*

1 *clude investment interest (within the meaning of sub-*  
2 *section (d)).*

3 “(6) *BUSINESS INTEREST INCOME.*—*For pur-*  
4 *poses of this subsection, the term ‘business interest in-*  
5 *come’ means the amount of interest includible in the*  
6 *gross income of the taxpayer for the taxable year*  
7 *which is properly allocable to a trade or business.*  
8 *Such term shall not include investment income (with-*  
9 *in the meaning of subsection (d)).*

10 “(7) *TRADE OR BUSINESS.*—*For purposes of this*  
11 *subsection—*

12 “(A) *IN GENERAL.*—*The term ‘trade or*  
13 *business’ shall not include—*

14 “(i) *the trade or business of performing*  
15 *services as an employee,*

16 “(ii) *any electing real property trade*  
17 *or business,*

18 “(iii) *any electing farming business, or*

19 “(iv) *the trade or business of the fur-*  
20 *nishing or sale of—*

21 “(I) *electrical energy, water, or*  
22 *sewage disposal services,*

23 “(II) *gas or steam through a local*  
24 *distribution system, or*

1                   “(III) transportation of gas or  
2                   steam by pipeline,  
3                   if the rates for such furnishing or sale, as  
4                   the case may be, have been established or  
5                   approved by a State or political subdivision  
6                   thereof, by any agency or instrumentality of  
7                   the United States, by a public service or  
8                   public utility commission or other similar  
9                   body of any State or political subdivision  
10                  thereof, or by the governing or ratemaking  
11                  body of an electric cooperative.

12                  “(B) *ELECTING REAL PROPERTY TRADE OR*  
13                  *BUSINESS.*—For purposes of this paragraph, the  
14                  term ‘electing real property trade or business’  
15                  means any trade or business which is described  
16                  in section 469(c)(7)(C) and which makes an elec-  
17                  tion under this subparagraph. Any such election  
18                  shall be made at such time and in such manner  
19                  as the Secretary shall prescribe, and, once made,  
20                  shall be irrevocable.

21                  “(C) *ELECTING FARMING BUSINESS.*—For  
22                  purposes of this paragraph, the term ‘electing  
23                  farming business’ means—



1           “(i) a farming business (as defined in  
2           section 263A(e)(4)) which makes an election  
3           under this subparagraph, or

4           “(ii) any trade or business of a speci-  
5           fied agricultural or horticultural coopera-  
6           tive (as defined in section 199A(g)(2)) with  
7           respect to which the cooperative makes an  
8           election under this subparagraph.

9           Any such election shall be made at such time  
10          and in such manner as the Secretary shall pre-  
11          scribe, and, once made, shall be irrevocable.

12          “(8) *ADJUSTED TAXABLE INCOME.*—For pur-  
13          poses of this subsection, the term ‘adjusted taxable in-  
14          come’ means the taxable income of the taxpayer—

15               “(A) computed without regard to—

16                   “(i) any item of income, gain, deduc-  
17                   tion, or loss which is not properly allocable  
18                   to a trade or business,

19                   “(ii) any business interest or business  
20                   interest income,

21                   “(iii) the amount of any net operating  
22                   loss deduction under section 172,

23                   “(iv) the amount of any deduction al-  
24                   lowed under section 199A, and

1                   “(v) *in the case of taxable years begin-*  
2                   *ning before January 1, 2022, any deduction*  
3                   *allowable for depreciation, amortization, or*  
4                   *depletion, and*

5                   “(B) *computed with such other adjustments*  
6                   *as provided by the Secretary.*

7                   “(9) *FLOOR PLAN FINANCING INTEREST DE-*  
8                   *FINED.—For purposes of this subsection—*

9                   “(A) *IN GENERAL.—The term ‘floor plan fi-*  
10                   *nancing interest’ means interest paid or accrued*  
11                   *on floor plan financing indebtedness.*

12                   “(B) *FLOOR PLAN FINANCING INDEBTED-*  
13                   *NESS.—The term ‘floor plan financing indebted-*  
14                   *ness’ means indebtedness—*

15                   “(i) *used to finance the acquisition of*  
16                   *motor vehicles held for sale or lease, and*

17                   “(ii) *secured by the inventory so ac-*  
18                   *quired.*

19                   “(C) *MOTOR VEHICLE.—The term ‘motor*  
20                   *vehicle’ means a motor vehicle that is any of the*  
21                   *following:*

22                   “(i) *Any self-propelled vehicle designed*  
23                   *for transporting persons or property on a*  
24                   *public street, highway, or road.*

25                   “(ii) *A boat.*

1                   “(iii) *Farm machinery or equipment.*

2                   “(10) *CROSS REFERENCES.—*

3                   “(A) *For requirement that an electing real*  
4                   *property trade or business use the alternative de-*  
5                   *preciation system, see section 168(g)(1)(F).*

6                   “(B) *For requirement that an electing farm-*  
7                   *ing business use the alternative depreciation sys-*  
8                   *tem, see section 168(g)(1)(G).”.*

9                   (b) *TREATMENT OF CARRYFORWARD OF DISALLOWED*  
10 *BUSINESS INTEREST IN CERTAIN CORPORATE ACQUI-*  
11 *SITIONS.—*

12                   (1) *IN GENERAL.—Section 381(c) is amended by*  
13 *inserting after paragraph (19) the following new*  
14 *paragraph:*

15                   “(20) *CARRYFORWARD OF DISALLOWED BUSI-*  
16 *NESS INTEREST.—The carryover of disallowed busi-*  
17 *ness interest described in section 163(j)(2) to taxable*  
18 *years ending after the date of distribution or trans-*  
19 *fer.”.*

20                   (2) *APPLICATION OF LIMITATION.—Section*  
21 *382(d) is amended by adding at the end the following*  
22 *new paragraph:*

23                   “(3) *APPLICATION TO CARRYFORWARD OF DIS-*  
24 *ALLOWED INTEREST.—The term ‘pre-change loss’*  
25 *shall include any carryover of disallowed interest de-*

1       scribed in section 163(j)(2) under rules similar to the  
2       rules of paragraph (1).”.

3               (3)       CONFORMING        AMENDMENT.—Section  
4       382(k)(1) is amended by inserting after the first sen-  
5       tence the following: “Such term shall include any cor-  
6       poration entitled to use a carryforward of disallowed  
7       interest described in section 381(c)(20).”.

8       (c) EFFECTIVE DATE.—The amendments made by this  
9       section shall apply to taxable years beginning after Decem-  
10      ber 31, 2017.

11   **SEC. 13302. MODIFICATION OF NET OPERATING LOSS DE-**  
12                                    **DUCTION.**

13       (a) LIMITATION ON DEDUCTION.—

14               (1) IN GENERAL.—Section 172(a) is amended to  
15       read as follows:

16       “(a) DEDUCTION ALLOWED.—There shall be allowed  
17       as a deduction for the taxable year an amount equal to the  
18       lesser of—

19               “(1) the aggregate of the net operating loss  
20       carryovers to such year, plus the net operating loss  
21       carrybacks to such year, or

22               “(2) 80 percent of taxable income computed  
23       without regard to the deduction allowable under this  
24       section.

1 *For purposes of this subtitle, the term ‘net operating loss*  
 2 *deduction’ means the deduction allowed by this subsection.”.*

3           (2) *COORDINATION OF LIMITATION WITH*  
 4 *CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is*  
 5 *amended by striking “shall be computed—” and all*  
 6 *that follows and inserting “shall—*

7                   *“(A) be computed with the modifications*  
 8 *specified in subsection (d) other than paragraphs*  
 9 *(1), (4), and (5) thereof, and by determining the*  
 10 *amount of the net operating loss deduction with-*  
 11 *out regard to the net operating loss for the loss*  
 12 *year or for any taxable year thereafter,*

13                   *“(B) not be considered to be less than zero,*  
 14 *and*

15                   *“(C) not exceed the amount determined*  
 16 *under subsection (a)(2) for such prior taxable*  
 17 *year.”.*

18           (3) *CONFORMING AMENDMENT.—Section*  
 19 *172(d)(6) is amended by striking “and” at the end of*  
 20 *subparagraph (A), by striking the period at the end*  
 21 *of subparagraph (B) and inserting “; and”, and by*  
 22 *adding at the end the following new subparagraph:*

23                   *“(C) subsection (a)(2) shall be applied by*  
 24 *substituting ‘real estate investment trust taxable*  
 25 *income (as defined in section 857(b)(2) but with-*

1           out regard to the deduction for dividends paid  
2           (as defined in section 561))’ for ‘taxable in-  
3           come’.”.

4           **(b) REPEAL OF NET OPERATING LOSS CARRYBACK;  
5 INDEFINITE CARRYFORWARD.—**

6           **(1) IN GENERAL.—**Section 172(b)(1)(A) is  
7           amended—

8                   (A) by striking “shall be a net operating  
9                   loss carryback to each of the 2 taxable years” in  
10                   clause (i) and inserting “except as otherwise pro-  
11                   vided in this paragraph, shall not be a net oper-  
12                   ating loss carryback to any taxable year”, and

13                   (B) by striking “to each of the 20 taxable  
14                   years” in clause (ii) and inserting “to each tax-  
15                   able year”.

16           **(2) CONFORMING AMENDMENT.—**Section  
17           172(b)(1) is amended by striking subparagraphs (B)  
18           through (F).

19           **(c) TREATMENT OF FARMING LOSSES.—**

20                   **(1) ALLOWANCE OF CARRYBACKS.—**Section  
21                   172(b)(1), as amended by subsection (b)(2), is amend-  
22                   ed by adding at the end the following new subpara-  
23                   graph:

24                           “(B) FARMING LOSSES.—

1           “(i) *IN GENERAL.*—*In the case of any*  
2           *portion of a net operating loss for the tax-*  
3           *able year which is a farming loss with re-*  
4           *spect to the taxpayer, such loss shall be a*  
5           *net operating loss carryback to each of the*  
6           *2 taxable years preceding the taxable year*  
7           *of such loss.*

8           “(ii) *FARMING LOSS.*—*For purposes of*  
9           *this section, the term ‘farming loss’ means*  
10           *the lesser of—*

11                   “(I) *the amount which would be*  
12                   *the net operating loss for the taxable*  
13                   *year if only income and deductions at-*  
14                   *tributable to farming businesses (as de-*  
15                   *fined in section 263A(e)(4)) are taken*  
16                   *into account, or*

17                   “(II) *the amount of the net oper-*  
18                   *ating loss for such taxable year.*

19           “(iii) *COORDINATION WITH PARA-*  
20           *GRAPH (2).*—*For purposes of applying para-*  
21           *graph (2), a farming loss for any taxable*  
22           *year shall be treated as a separate net oper-*  
23           *ating loss for such taxable year to be taken*  
24           *into account after the remaining portion of*  
25           *the net operating loss for such taxable year.*

1           “(iv) *ELECTION*.—Any taxpayer enti-  
2           tled to a 2-year carryback under clause (i)  
3           from any loss year may elect not to have  
4           such clause apply to such loss year. Such  
5           election shall be made in such manner as  
6           prescribed by the Secretary and shall be  
7           made by the due date (including extensions  
8           of time) for filing the taxpayer’s return for  
9           the taxable year of the net operating loss.  
10          Such election, once made for any taxable  
11          year, shall be irrevocable for such taxable  
12          year.”.

13          (2) *CONFORMING AMENDMENTS*.—

14           (A) Section 172 is amended by striking sub-  
15          sections (f), (g), and (h), and by redesignating  
16          subsection (i) as subsection (f).

17           (B) Section 537(b)(4) is amended by insert-  
18          ing “(as in effect before the date of enactment of  
19          the Tax Cuts and Jobs Act)” after “as defined in  
20          section 172(f)”.

21          (d) *TREATMENT OF CERTAIN INSURANCE LOSSES*.—

22           (1) *TREATMENT OF CARRYFORWARDS AND*  
23          *CARRYBACKS*.—Section 172(b)(1), as amended by sub-  
24          sections (b)(2) and (c)(1), is amended by adding at  
25          the end the following new subparagraph:



1           “(C) *INSURANCE COMPANIES.*—*In the case*  
 2           *of an insurance company (as defined in section*  
 3           *816(a)) other than a life insurance company, the*  
 4           *net operating loss for any taxable year—*

5                     “(i) *shall be a net operating loss*  
 6                     *carryback to each of the 2 taxable years pre-*  
 7                     *ceding the taxable year of such loss, and*

8                     “(ii) *shall be a net operating loss car-*  
 9                     *ryover to each of the 20 taxable years fol-*  
 10                    *lowing the taxable year of the loss.”.*

11           (2) *EXEMPTION FROM LIMITATION.*—*Section 172,*  
 12           *as amended by subsection (c)(2)(A), is amended by re-*  
 13           *designating subsection (f) as subsection (g) and in-*  
 14           *serting after subsection (e) the following new sub-*  
 15           *section:*

16           “(f) *SPECIAL RULE FOR INSURANCE COMPANIES.*—*In*  
 17           *the case of an insurance company (as defined in section*  
 18           *816(a)) other than a life insurance company—*

19                     “(1) *the amount of the deduction allowed under*  
 20                     *subsection (a) shall be the aggregate of the net oper-*  
 21                     *ating loss carryovers to such year, plus the net oper-*  
 22                     *ating loss carrybacks to such year, and*

23                     “(2) *subparagraph (C) of subsection (b)(2) shall*  
 24                     *not apply.”.*

25           (e) *EFFECTIVE DATE.*—

1           (1) *NET OPERATING LOSS LIMITATION.*—*The*  
2           *amendments made by subsections (a) and (d)(2) shall*  
3           *apply to losses arising in taxable years beginning*  
4           *after December 31, 2017.*

5           (2) *CARRYFORWARDS AND CARRYBACKS.*—*The*  
6           *amendments made by subsections (b), (c), and (d)(1)*  
7           *shall apply to net operating losses arising in taxable*  
8           *years ending after December 31, 2017.*

9 **SEC. 13303. LIKE-KIND EXCHANGES OF REAL PROPERTY.**

10          (a) *IN GENERAL.*—*Section 1031(a)(1) is amended by*  
11          *striking “property” each place it appears and inserting*  
12          *“real property”.*

13          (b) *CONFORMING AMENDMENTS.*—

14                 (1)(A) *Paragraph (2) of section 1031(a) is*  
15                 *amended to read as follows:*

16                         “(2) *EXCEPTION FOR REAL PROPERTY HELD FOR*  
17                         *SALE.*—*This subsection shall not apply to any ex-*  
18                         *change of real property held primarily for sale.”.*

19                 (B) *Section 1031 is amended by striking sub-*  
20                 *section (i).*

21                 (2) *Section 1031 is amended by striking sub-*  
22                 *section (e).*

23                 (3) *Section 1031, as amended by paragraph (2),*  
24                 *is amended by inserting after subsection (d) the fol-*  
25                 *lowing new subsection:*

1       “(e) *APPLICATION TO CERTAIN PARTNERSHIPS.*—For  
2 purposes of this section, an interest in a partnership which  
3 has in effect a valid election under section 761(a) to be ex-  
4 cluded from the application of all of subchapter K shall be  
5 treated as an interest in each of the assets of such partner-  
6 ship and not as an interest in a partnership.”.

7           (4) Section 1031(h) is amended to read as fol-  
8 lows:

9       “(h) *SPECIAL RULES FOR FOREIGN REAL PROP-*  
10 *ERTY.*—Real property located in the United States and real  
11 property located outside the United States are not property  
12 of a like kind.”.

13           (5) The heading of section 1031 is amended by  
14 striking “**PROPERTY**” and inserting “**REAL PROP-**  
15 **ERTY**”.

16           (6) The table of sections for part III of sub-  
17 chapter O of chapter 1 is amended by striking the  
18 item relating to section 1031 and inserting the fol-  
19 lowing new item:

“Sec. 1031. Exchange of real property held for productive use or investment.”.

20       (c) *EFFECTIVE DATE.*—

21           (1) *IN GENERAL.*—Except as otherwise provided  
22 in this subsection, the amendments made by this sec-  
23 tion shall apply to exchanges completed after Decem-  
24 ber 31, 2017.

1           (2) *TRANSITION RULE.*—*The amendments made*  
2 *by this section shall not apply to any exchange if—*

3                   (A) *the property disposed of by the taxpayer*  
4 *in the exchange is disposed of on or before De-*  
5 *cember 31 2017, or*

6                   (B) *the property received by the taxpayer in*  
7 *the exchange is received on or before December*  
8 *31, 2017.*

9 **SEC. 13304. LIMITATION ON DEDUCTION BY EMPLOYERS OF**  
10 **EXPENSES FOR FRINGE BENEFITS.**

11           (a) *NO DEDUCTION ALLOWED FOR ENTERTAINMENT*  
12 *EXPENSES.*—

13           (1) *IN GENERAL.*—*Section 274(a) is amended—*

14                   (A) *in paragraph (1)(A), by striking “un-*  
15 *less” and all that follows through “trade or busi-*  
16 *ness,”*

17                   (B) *by striking the flush sentence at the end*  
18 *of paragraph (1), and*

19                   (C) *by striking paragraph (2)(C).*

20           (2) *CONFORMING AMENDMENTS.*—

21                   (A) *Section 274(d) is amended—*

22                           (i) *by striking paragraph (2) and re-*  
23 *designating paragraphs (3) and (4) as*  
24 *paragraphs (2) and (3), respectively, and*

1                   (ii) in the flush text following para-  
2 graph (3) (as so redesignated)—

3                   (I) by striking “, entertainment,  
4 amusement, recreation, or use of the fa-  
5 cility or property,” in item (B), and

6                   (II) by striking “(D) the business  
7 relationship to the taxpayer of persons  
8 entertained, using the facility or prop-  
9 erty, or receiving the gift” and insert-  
10 ing “(D) the business relationship to  
11 the taxpayer of the person receiving the  
12 benefit”,

13               (B) Section 274 is amended by striking sub-  
14 section (l).

15               (C) Section 274(n) is amended by striking  
16 “AND ENTERTAINMENT” in the heading.

17               (D) Section 274(n)(1) is amended to read  
18 as follows:

19               “(1) *IN GENERAL.*—The amount allowable as a  
20 deduction under this chapter for any expense for food  
21 or beverages shall not exceed 50 percent of the amount  
22 of such expense which would (but for this paragraph)  
23 be allowable as a deduction under this chapter.”.

24               (E) Section 274(n)(2) is amended—

1           (i) in subparagraph (B), by striking  
2           “in the case of an expense for food or bev-  
3           erages,”

4           (ii) by striking subparagraph (C) and  
5           redesignating subparagraphs (D) and (E)  
6           as subparagraphs (C) and (D), respectively,

7           (iii) by striking “of subparagraph (E)”  
8           the last sentence and inserting “of subpara-  
9           graph (D)”, and

10          (iv) by striking “in subparagraph (D)”  
11          in the last sentence and inserting “in sub-  
12          paragraph (C)”.

13          (F) Clause (iv) of section 7701(b)(5)(A) is  
14          amended to read as follows:

15                 “(iv) a professional athlete who is tem-  
16                 porarily in the United States to compete in  
17                 a sports event—

18                         “(I) which is organized for the  
19                         primary purpose of benefiting an orga-  
20                         nization which is described in section  
21                         501(c)(3) and exempt from tax under  
22                         section 501(a),

23                         “(II) all of the net proceeds of  
24                         which are contributed to such organi-  
25                         zation, and,

1                   “(III) which utilizes volunteers for  
2                   substantially all of the work performed  
3                   in carrying out such event.”.

4           (b) *ONLY 50 PERCENT OF EXPENSES FOR MEALS PRO-*  
5 *VIDED ON OR NEAR BUSINESS PREMISES ALLOWED AS DE-*  
6 *DUCTION.*—Paragraph (2) of section 274(n), as amended by  
7 subsection (a), is amended—

8                   (1) by striking subparagraph (B),

9                   (2) by redesignating subparagraphs (C) and (D)  
10 as subparagraphs (B) and (C), respectively,

11                   (3) by striking “of subparagraph (D)” in the last  
12 sentence and inserting “of subparagraph (C)”, and

13                   (4) by striking “in subparagraph (C)” in the  
14 last sentence and inserting “in subparagraph (B)”.

15           (c) *TREATMENT OF TRANSPORTATION BENEFITS.*—  
16 Section 274, as amended by subsection (a), is amended—

17                   (1) in subsection (a)—

18                           (A) in the heading, by striking “OR RECRE-

19 *ATION*” and inserting “*RECREATION, OR QUALI-*  
20 *FIED TRANSPORTATION FRINGES*”, and

21                           (B) by adding at the end the following new  
22 paragraph:

23                           “(4) *QUALIFIED TRANSPORTATION FRINGES.*—No  
24 deduction shall be allowed under this chapter for the  
25 expense of any qualified transportation fringe (as de-

1 *fined in section 132(f)) provided to an employee of the*  
2 *taxpayer.”, and*

3 *(2) by inserting after subsection (k) the following*  
4 *new subsection:*

5 *“(l) TRANSPORTATION AND COMMUTING BENEFITS.—*

6 *“(1) IN GENERAL.—No deduction shall be al-*  
7 *lowed under this chapter for any expense incurred for*  
8 *providing any transportation, or any payment or re-*  
9 *imbursement, to an employee of the taxpayer in con-*  
10 *nection with travel between the employee’s residence*  
11 *and place of employment, except as necessary for en-*  
12 *sureing the safety of the employee.*

13 *“(2) EXCEPTION.—In the case of any qualified*  
14 *bicycle commuting reimbursement (as described in*  
15 *section 132(f)(5)(F)), this subsection shall not apply*  
16 *for any amounts paid or incurred after December 31,*  
17 *2017, and before January 1, 2026.”.*

18 *(d) ELIMINATION OF DEDUCTION FOR MEALS PRO-*  
19 *VIDED AT CONVENIENCE OF EMPLOYER.—Section 274, as*  
20 *amended by subsection (c), is amended—*

21 *(1) by redesignating subsection (o) as subsection*  
22 *(p), and*

23 *(2) by inserting after subsection (n) the following*  
24 *new subsection:*



1       “(o) *MEALS PROVIDED AT CONVENIENCE OF EM-*  
 2 *PLOYER.—No deduction shall be allowed under this chapter*  
 3 *for—*

4               “(1) *any expense for the operation of a facility*  
 5 *described in section 132(e)(2), and any expense for*  
 6 *food or beverages, including under section 132(e)(1),*  
 7 *associated with such facility, or*

8               “(2) *any expense for meals described in section*  
 9 *119(a).”.*

10       *(e) EFFECTIVE DATE.—*

11               (1) *IN GENERAL.—Except as provided in para-*  
 12 *graph (2), the amendments made by this section shall*  
 13 *apply to amounts incurred or paid after December*  
 14 *31, 2017.*

15               (2) *EFFECTIVE DATE FOR ELIMINATION OF DE-*  
 16 *DUCTION FOR MEALS PROVIDED AT CONVENIENCE OF*  
 17 *EMPLOYER.—The amendments made by subsection (d)*  
 18 *shall apply to amounts incurred or paid after Decem-*  
 19 *ber 31, 2025.*

20       **SEC. 13305. REPEAL OF DEDUCTION FOR INCOME ATTRIB-**  
 21                       **UTABLE TO DOMESTIC PRODUCTION ACTIVI-**  
 22                       **TIES.**

23               (a) *IN GENERAL.—Part VI of subchapter B of chapter*  
 24 *1 is amended by striking section 199 (and by striking the*

1 *item relating to such section in the table of sections for such*  
2 *part).*

3 *(b) CONFORMING AMENDMENTS.—*

4 *(1) Sections 74(d)(2)(B), 86(b)(2)(A),*  
5 *135(c)(4)(A), 137(b)(3)(A), 219(g)(3)(A)(ii),*  
6 *221(b)(2)(C), 222(b)(2)(C), 246(b)(1), and*  
7 *469(i)(3)(F)(iii) are each amended by striking*  
8 *“199.”.*

9 *(2) Section 170(b)(2)(D), as amended by subtitle*  
10 *A, is amended by striking clause (iv), and by redesignig-*  
11 *ating clauses (v) and (vi) as clauses (iv) and (v).*

12 *(3) Section 172(d) is amended by striking para-*  
13 *graph (7).*

14 *(4) Section 613(a), as amended by section 11011,*  
15 *is amended by striking “and without the deduction*  
16 *under section 199”.*

17 *(5) Section 613A(d)(1), as amended by section*  
18 *11011, is amended by striking subparagraph (B) and*  
19 *by redesignating subparagraphs (C), (D), (E), and*  
20 *(F) as subparagraphs (B), (C), (D), and (E), respec-*  
21 *tively.*

22 *(c) EFFECTIVE DATE.—The amendments made by this*  
23 *section shall apply to taxable years beginning after Decem-*  
24 *ber 31, 2017.*

1 **SEC. 13306. DENIAL OF DEDUCTION FOR CERTAIN FINES,**  
2 **PENALTIES, AND OTHER AMOUNTS.**

3 (a) *DENIAL OF DEDUCTION.*—

4 (1) *IN GENERAL.*—*Subsection (f) of section 162*  
5 *is amended to read as follows:*

6 “(f) *FINES, PENALTIES, AND OTHER AMOUNTS.*—

7 “(1) *IN GENERAL.*—*Except as provided in the*  
8 *following paragraphs of this subsection, no deduction*  
9 *otherwise allowable shall be allowed under this chap-*  
10 *ter for any amount paid or incurred (whether by suit,*  
11 *agreement, or otherwise) to, or at the direction of, a*  
12 *government or governmental entity in relation to the*  
13 *violation of any law or the investigation or inquiry*  
14 *by such government or entity into the potential viola-*  
15 *tion of any law.*

16 “(2) *EXCEPTION FOR AMOUNTS CONSTITUTING*  
17 *RESTITUTION OR PAID TO COME INTO COMPLIANCE*  
18 *WITH LAW.*—

19 “(A) *IN GENERAL.*—*Paragraph (1) shall*  
20 *not apply to any amount that—*

21 “(i) *the taxpayer establishes—*

22 “(I) *constitutes restitution (in-*  
23 *cluding remediation of property) for*  
24 *damage or harm which was or may be*  
25 *caused by the violation of any law or*  
26 *the potential violation of any law, or*

1                   “(II) is paid to come into compli-  
2                   ance with any law which was violated  
3                   or otherwise involved in the investiga-  
4                   tion or inquiry described in paragraph  
5                   (1),

6                   “(ii) is identified as restitution or as  
7                   an amount paid to come into compliance  
8                   with such law, as the case may be, in the  
9                   court order or settlement agreement, and

10                   “(iii) in the case of any amount of res-  
11                   titution for failure to pay any tax imposed  
12                   under this title in the same manner as if  
13                   such amount were such tax, would have  
14                   been allowed as a deduction under this  
15                   chapter if it had been timely paid.

16                   The identification under clause (ii) alone shall  
17                   not be sufficient to make the establishment re-  
18                   quired under clause (i).

19                   “(B) LIMITATION.—Subparagraph (A) shall  
20                   not apply to any amount paid or incurred as re-  
21                   imbursement to the government or entity for the  
22                   costs of any investigation or litigation.

23                   “(3) EXCEPTION FOR AMOUNTS PAID OR IN-  
24                   CURRED AS THE RESULT OF CERTAIN COURT OR-  
25                   DERS.—Paragraph (1) shall not apply to any

1 *amount paid or incurred by reason of any order of*  
2 *a court in a suit in which no government or govern-*  
3 *mental entity is a party.*

4 “(4) *EXCEPTION FOR TAXES DUE.*—Paragraph  
5 (1) shall not apply to any amount paid or incurred  
6 as taxes due.

7 “(5) *TREATMENT OF CERTAIN NONGOVERN-*  
8 *MENTAL REGULATORY ENTITIES.*—For purposes of  
9 this subsection, the following nongovernmental entities  
10 shall be treated as governmental entities:

11 “(A) Any nongovernmental entity which ex-  
12 ercises self-regulatory powers (including impos-  
13 ing sanctions) in connection with a qualified  
14 board or exchange (as defined in section  
15 1256(g)(7)).

16 “(B) To the extent provided in regulations,  
17 any nongovernmental entity which exercises self-  
18 regulatory powers (including imposing sanc-  
19 tions) as part of performing an essential govern-  
20 mental function.”.

21 (2) *EFFECTIVE DATE.*—The amendment made by  
22 this subsection shall apply to amounts paid or in-  
23 curred on or after the date of the enactment of this  
24 Act, except that such amendments shall not apply to  
25 amounts paid or incurred under any binding order or

1 *agreement entered into before such date. Such excep-*  
 2 *tion shall not apply to an order or agreement requir-*  
 3 *ing court approval unless the approval was obtained*  
 4 *before such date.*

5 *(b) REPORTING OF DEDUCTIBLE AMOUNTS.—*

6 *(1) IN GENERAL.—Subpart B of part III of sub-*  
 7 *chapter A of chapter 61 is amended by inserting after*  
 8 *section 6050W the following new section:*

9 **“SEC. 6050X. INFORMATION WITH RESPECT TO CERTAIN**  
 10 **FINES, PENALTIES, AND OTHER AMOUNTS.**

11 *“(a) REQUIREMENT OF REPORTING.—*

12 *“(1) IN GENERAL.—The appropriate official of*  
 13 *any government or any entity described in section*  
 14 *162(f)(5) which is involved in a suit or agreement de-*  
 15 *scribed in paragraph (2) shall make a return in such*  
 16 *form as determined by the Secretary setting forth—*

17 *“(A) the amount required to be paid as a*  
 18 *result of the suit or agreement to which para-*  
 19 *graph (1) of section 162(f) applies,*

20 *“(B) any amount required to be paid as a*  
 21 *result of the suit or agreement which constitutes*  
 22 *restitution or remediation of property, and*

23 *“(C) any amount required to be paid as a*  
 24 *result of the suit or agreement for the purpose of*  
 25 *coming into compliance with any law which was*

1           *violated or involved in the investigation or in-*  
2           *quiry.*

3           “(2) *SUIT OR AGREEMENT DESCRIBED.*—

4                 “(A) *IN GENERAL.*—*A suit or agreement is*  
5           *described in this paragraph if—*

6                         “(i) *it is—*

7                                 “(I) *a suit with respect to a viola-*  
8                                 *tion of any law over which the govern-*  
9                                 *ment or entity has authority and with*  
10                                 *respect to which there has been a court*  
11                                 *order, or*

12                                 “(II) *an agreement which is en-*  
13                                 *tered into with respect to a violation of*  
14                                 *any law over which the government or*  
15                                 *entity has authority, or with respect to*  
16                                 *an investigation or inquiry by the gov-*  
17                                 *ernment or entity into the potential*  
18                                 *violation of any law over which such*  
19                                 *government or entity has authority,*  
20                                 *and*

21                                 “(ii) *the aggregate amount involved in*  
22           *all court orders and agreements with respect*  
23           *to the violation, investigation, or inquiry is*  
24           *\$600 or more.*

1           “(B) *ADJUSTMENT OF REPORTING THRESH-*  
2           *OLD.—The Secretary shall adjust the \$600*  
3           *amount in subparagraph (A)(i) as necessary in*  
4           *order to ensure the efficient administration of the*  
5           *internal revenue laws.*

6           “(3) *TIME OF FILING.—The return required*  
7           *under this subsection shall be filed at the time the*  
8           *agreement is entered into, as determined by the Sec-*  
9           *retary.*

10          “(b) *STATEMENTS TO BE FURNISHED TO INDIVIDUALS*  
11          *INVOLVED IN THE SETTLEMENT.—Every person required to*  
12          *make a return under subsection (a) shall furnish to each*  
13          *person who is a party to the suit or agreement a written*  
14          *statement showing—*

15                 “(1) *the name of the government or entity, and*

16                 “(2) *the information supplied to the Secretary*  
17                 *under subsection (a)(1).*

18          *The written statement required under the preceding sen-*  
19          *tence shall be furnished to the person at the same time the*  
20          *government or entity provides the Secretary with the infor-*  
21          *mation required under subsection (a).*

22          “(c) *APPROPRIATE OFFICIAL DEFINED.—For purposes*  
23          *of this section, the term ‘appropriate official’ means the offi-*  
24          *cer or employee having control of the suit, investigation,*



1 *or inquiry or the person appropriately designated for pur-*  
 2 *poses of this section.”.*

3 (2) *CONFORMING AMENDMENT.*—*The table of sec-*  
 4 *tions for subpart B of part III of subchapter A of*  
 5 *chapter 61 is amended by inserting after the item re-*  
 6 *lating to section 6050W the following new item:*

*“Sec. 6050X. Information with respect to certain fines, penalties, and other amounts.”.*

7 (3) *EFFECTIVE DATE.*—*The amendments made*  
 8 *by this subsection shall apply to amounts paid or in-*  
 9 *curring on or after the date of the enactment of this*  
 10 *Act, except that such amendments shall not apply to*  
 11 *amounts paid or incurred under any binding order or*  
 12 *agreement entered into before such date. Such excep-*  
 13 *tion shall not apply to an order or agreement requir-*  
 14 *ing court approval unless the approval was obtained*  
 15 *before such date.*

16 **SEC. 13307. DENIAL OF DEDUCTION FOR SETTLEMENTS**  
 17 **SUBJECT TO NONDISCLOSURE AGREEMENTS**  
 18 **PAID IN CONNECTION WITH SEXUAL HARASS-**  
 19 **MENT OR SEXUAL ABUSE.**

20 (a) *DENIAL OF DEDUCTION.*—*Section 162 is amended*  
 21 *by redesignating subsection (q) as subsection (r) and by in-*  
 22 *serting after subsection (p) the following new subsection:*

1       “(q) *PAYMENTS RELATED TO SEXUAL HARASSMENT*  
2 *AND SEXUAL ABUSE.*—No deduction shall be allowed under  
3 *this chapter for—*

4               “(1) *any settlement or payment related to sexual*  
5 *harassment or sexual abuse if such settlement or pay-*  
6 *ment is subject to a nondisclosure agreement, or*

7               “(2) *attorney’s fees related to such a settlement*  
8 *or payment.*”.

9       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
10 *section shall apply to amounts paid or incurred after the*  
11 *date of the enactment of this Act.*

12 **SEC. 13308. REPEAL OF DEDUCTION FOR LOCAL LOBBYING**  
13 **EXPENSES.**

14       (a) *IN GENERAL.*—*Section 162(e) is amended by strik-*  
15 *ing paragraphs (2) and (7) and by redesignating para-*  
16 *graphs (3), (4), (5), (6), and (8) as paragraphs (2), (3),*  
17 *(4), (5), and (6), respectively.*

18       (b)       *CONFORMING        AMENDMENT.*—*Section*  
19 *6033(e)(1)(B)(ii) is amended by striking “section*  
20 *162(e)(5)(B)(ii)” and inserting “section 162(e)(4)(B)(ii)”.*

21       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
22 *section shall apply to amounts paid or incurred on or after*  
23 *the date of the enactment of this Act.*

1 **SEC. 13309. RECHARACTERIZATION OF CERTAIN GAINS IN**  
2 **THE CASE OF PARTNERSHIP PROFITS INTER-**  
3 **ESTS HELD IN CONNECTION WITH PERFORM-**  
4 **ANCE OF INVESTMENT SERVICES.**

5 (a) *IN GENERAL.*—Part IV of subchapter O of chapter  
6 1 is amended—

7 (1) by redesignating section 1061 as section  
8 1062, and

9 (2) by inserting after section 1060 the following  
10 new section:

11 **“SEC. 1061. PARTNERSHIP INTERESTS HELD IN CONNEC-**  
12 **TION WITH PERFORMANCE OF SERVICES.**

13 “(a) *IN GENERAL.*—If one or more applicable partner-  
14 ship interests are held by a taxpayer at any time during  
15 the taxable year, the excess (if any) of—

16 “(1) the taxpayer’s net long-term capital gain  
17 with respect to such interests for such taxable year,  
18 over

19 “(2) the taxpayer’s net long-term capital gain  
20 with respect to such interests for such taxable year  
21 computed by applying paragraphs (3) and (4) of sec-  
22 tions 1222 by substituting ‘3 years’ for ‘1 year’,  
23 shall be treated as short-term capital gain, notwithstanding  
24 section 83 or any election in effect under section 83(b).

25 “(b) *SPECIAL RULE.*—To the extent provided by the  
26 Secretary, subsection (a) shall not apply to income or gain

1 *attributable to any asset not held for portfolio investment*  
2 *on behalf of third party investors.*

3 “(c) *APPLICABLE PARTNERSHIP INTEREST.*—*For pur-*  
4 *poses of this section—*

5 “(1) *IN GENERAL.*—*Except as provided in this*  
6 *paragraph or paragraph (4), the term ‘applicable*  
7 *partnership interest’ means any interest in a partner-*  
8 *ship which, directly or indirectly, is transferred to (or*  
9 *is held by) the taxpayer in connection with the per-*  
10 *formance of substantial services by the taxpayer, or*  
11 *any other related person, in any applicable trade or*  
12 *business. The previous sentence shall not apply to an*  
13 *interest held by a person who is employed by another*  
14 *entity that is conducting a trade or business (other*  
15 *than an applicable trade or business) and only pro-*  
16 *vides services to such other entity.*

17 “(2) *APPLICABLE TRADE OR BUSINESS.*—*The*  
18 *term ‘applicable trade or business’ means any activ-*  
19 *ity conducted on a regular, continuous, and substan-*  
20 *tial basis which, regardless of whether the activity is*  
21 *conducted in one or more entities, consists, in whole*  
22 *or in part, of—*

23 “(A) *raising or returning capital, and*

24 “(B) *either—*

1                   “(i) investing in (or disposing of) spec-  
2                   ified assets (or identifying specified assets  
3                   for such investing or disposition), or

4                   “(ii) developing specified assets.

5                   “(3) SPECIFIED ASSET.—The term ‘specified  
6                   asset’ means securities (as defined in section 475(c)(2)  
7                   without regard to the last sentence thereof), commod-  
8                   ities (as defined in section 475(e)(2)), real estate held  
9                   for rental or investment, cash or cash equivalents, op-  
10                  tions or derivative contracts with respect to any of the  
11                  foregoing, and an interest in a partnership to the ex-  
12                  tent of the partnership’s proportionate interest in any  
13                  of the foregoing.

14                  “(4) EXCEPTIONS.—The term ‘applicable part-  
15                  nership interest’ shall not include—

16                         “(A) any interest in a partnership directly  
17                         or indirectly held by a corporation, or

18                         “(B) any capital interest in the partnership  
19                         which provides the taxpayer with a right to  
20                         share in partnership capital commensurate  
21                         with—

22                                 “(i) the amount of capital contributed  
23                                 (determined at the time of receipt of such  
24                                 partnership interest), or

1                   “(ii) the value of such interest subject  
2                   to tax under section 83 upon the receipt or  
3                   vesting of such interest.

4                   “(5) *THIRD PARTY INVESTOR*.—The term ‘third  
5                   party investor’ means a person who—

6                   “(A) holds an interest in the partnership  
7                   which does not constitute property held in con-  
8                   nection with an applicable trade or business;  
9                   and

10                   “(B) is not (and has not been) actively en-  
11                   gaged, and is (and was) not related to a person  
12                   so engaged, in (directly or indirectly) providing  
13                   substantial services described in paragraph (1)  
14                   for such partnership or any applicable trade or  
15                   business.

16                   “(d) *TRANSFER OF APPLICABLE PARTNERSHIP INTER-*  
17 *EST TO RELATED PERSON*.—

18                   “(1) *IN GENERAL*.—If a taxpayer transfers any  
19                   applicable partnership interest, directly or indirectly,  
20                   to a person related to the taxpayer, the taxpayer shall  
21                   include in gross income (as short term capital gain)  
22                   the excess (if any) of—

23                   “(A) so much of the taxpayer’s long-term  
24                   capital gains with respect to such interest for  
25                   such taxable year attributable to the sale or ex-

1           *change of any asset held for not more than 3*  
2           *years as is allocable to such interest, over*

3           “(B) *any amount treated as short term cap-*  
4           *ital gain under subsection (a) with respect to the*  
5           *transfer of such interest.*

6           “(2) *RELATED PERSON.—For purposes of this*  
7           *paragraph, a person is related to the taxpayer if—*

8           “(A) *the person is a member of the tax-*  
9           *payer’s family within the meaning of section*  
10           *318(a)(1), or*

11           “(B) *the person performed a service within*  
12           *the current calendar year or the preceding three*  
13           *calendar years in any applicable trade or busi-*  
14           *ness in which or for which the taxpayer per-*  
15           *formed a service.*

16           “(e) *REPORTING.—The Secretary shall require such re-*  
17           *porting (at the time and in the manner prescribed by the*  
18           *Secretary) as is necessary to carry out the purposes of this*  
19           *section.*

20           “(f) *REGULATIONS.—The Secretary shall issue such*  
21           *regulations or other guidance as is necessary or appropriate*  
22           *to carry out the purposes of this section”.*

23           “(b) *CLERICAL AMENDMENT.—The table of sections for*  
24           *part IV of subchapter O of chapter 1 is amended by striking*

1 *the item relating to 1061 and inserting the following new*  
 2 *items:*

*“Sec. 1061. Partnership interests held in connection with performance of services.*  
*“Sec. 1062. Cross references.”.*

3       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 4 *section shall apply to taxable years beginning after Decem-*  
 5 *ber 31, 2017.*

6 **SEC. 13310. PROHIBITION ON CASH, GIFT CARDS, AND**  
 7 **OTHER NON-TANGIBLE PERSONAL PROPERTY**  
 8 **AS EMPLOYEE ACHIEVEMENT AWARDS.**

9       (a) *IN GENERAL.*—*Subparagraph (A) of section*  
 10 *274(j)(3) is amended—*

11           (1) *by striking “The term” and inserting the fol-*  
 12 *lowing:*

13                       *“(i) IN GENERAL.—The term”.*

14           (2) *by redesignating clauses (i), (ii), and (iii) as*  
 15 *subclauses (I), (II), and (III), respectively, and con-*  
 16 *forming the margins accordingly, and*

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

19                       *“(ii) TANGIBLE PERSONAL PROP-*  
 20 *ERTY.—For purposes of clause (i), the term*  
 21 *‘tangible personal property’ shall not in-*  
 22 *clude—*

23                               *“(I) cash, cash equivalents, gift*  
 24 *cards, gift coupons, or gift certificates*



1           *(other than arrangements conferring*  
2           *only the right to select and receive tan-*  
3           *gible personal property from a limited*  
4           *array of such items pre-selected or pre-*  
5           *approved by the employer), or*

6                     *“(II) vacations, meals, lodging,*  
7                     *tickets to theater or sporting events,*  
8                     *stocks, bonds, other securities, and*  
9                     *other similar items.”.*

10        ***(b) EFFECTIVE DATE.***—*The amendments made by this*  
11 *section shall apply to amounts paid or incurred after De-*  
12 *cember 31, 2017.*

13 ***SEC. 13311. ELIMINATION OF DEDUCTION FOR LIVING EX-***  
14 ***PENSES INCURRED BY MEMBERS OF CON-***  
15 ***GRESS.***

16        ***(a) IN GENERAL.***—*Subsection (a) of section 162 is*  
17 *amended in the matter following paragraph (3) by striking*  
18 *“in excess of \$3,000”.*

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

22 ***SEC. 13312. CERTAIN CONTRIBUTIONS BY GOVERNMENTAL***  
23 ***ENTITIES NOT TREATED AS CONTRIBUTIONS***  
24 ***TO CAPITAL.***

25        ***(a) IN GENERAL.***—*Section 118 is amended—*

1           (1) *by striking subsections (b), (c), and (d),*

2           (2) *by redesignating subsection (e) as subsection*  
3 *(d), and*

4           (3) *by inserting after subsection (a) the following*  
5 *new subsections:*

6           “(b) *EXCEPTIONS.—For purposes of subsection (a), the*  
7 *term ‘contribution to the capital of the taxpayer’ does not*  
8 *include—*

9                 “(1) *any contribution in aid of construction or*  
10 *any other contribution as a customer or potential cus-*  
11 *tomers, and*

12                 “(2) *any contribution by any governmental enti-*  
13 *ty or civic group (other than a contribution made by*  
14 *a shareholder as such).*

15           “(c) *REGULATIONS.—The Secretary shall issue such*  
16 *regulations or other guidance as may be necessary or appro-*  
17 *priate to carry out this section, including regulations or*  
18 *other guidance for determining whether any contribution*  
19 *constitutes a contribution in aid of construction.”.*

20           (b) *EFFECTIVE DATE.—*

21                 (1) *IN GENERAL.—Except as provided in para-*  
22 *graph (2), the amendments made by this section shall*  
23 *apply to contributions made after the date of enact-*  
24 *ment of this Act.*

1           (2) *EXCEPTION.*—*The amendments made by this*  
2           *section shall not apply to any contribution, made*  
3           *after the date of enactment of this Act by a govern-*  
4           *mental entity, which is made pursuant to a master*  
5           *development plan that has been approved prior to*  
6           *such date by a governmental entity.*

7   **SEC. 13313. REPEAL OF ROLLOVER OF PUBLICLY TRADED**  
8                           **SECURITIES GAIN INTO SPECIALIZED SMALL**  
9                           **BUSINESS INVESTMENT COMPANIES.**

10          (a) *IN GENERAL.*—*Part III of subchapter O of chapter*  
11          *1 is amended by striking section 1044 (and by striking the*  
12          *item relating to such section in the table of sections of such*  
13          *part).*

14          (b) *CONFORMING AMENDMENTS.*—*Section 1016(a)(23)*  
15          *is amended—*

16                  (1) *by striking “1044,” and*

17                  (2) *by striking “1044(d).”*

18          (c) *EFFECTIVE DATE.*—*The amendments made by this*  
19          *section shall apply to sales after December 31, 2017.*

20   **SEC. 13314. CERTAIN SELF-CREATED PROPERTY NOT**  
21                           **TREATED AS A CAPITAL ASSET.**

22          (a) *PATENTS, ETC.*—*Section 1221(a)(3) is amended by*  
23          *inserting “a patent, invention, model or design (whether or*  
24          *not patented), a secret formula or process,” before “a copy-*  
25          *right”.*

1           (b)           *CONFORMING            AMENDMENT.—Section*  
2 *1231(b)(1)(C) is amended by inserting “a patent, inven-*  
3 *tion, model or design (whether or not patented), a secret*  
4 *formula or process,” before “a copyright”.*

5           (c) *EFFECTIVE DATE.—The amendments made by this*  
6 *section shall apply to dispositions after December 31, 2017.*

7                           **PART V—BUSINESS CREDITS**

8           **SEC. 13401. MODIFICATION OF ORPHAN DRUG CREDIT.**

9           (a) *CREDIT RATE.—Subsection (a) of section 45C is*  
10 *amended by striking “50 percent” and inserting “25 per-*  
11 *cent”.*

12           (b) *ELECTION OF REDUCED CREDIT.—Subsection (b)*  
13 *of section 280C is amended by redesignating paragraph (3)*  
14 *as paragraph (4) and by inserting after paragraph (2) the*  
15 *following new paragraph:*

16                           “(3) *ELECTION OF REDUCED CREDIT.—*

17   “(A) *IN GENERAL.—In the case of any tax-*  
18 *able year for which an election is made under*  
19 *this paragraph—*

20   “(i) *paragraphs (1) and (2) shall not*  
21 *apply, and*

22   “(ii) *the amount of the credit under*  
23 *section 45C(a) shall be the amount deter-*  
24 *mined under subparagraph (B).*

1           “(B) *AMOUNT OF REDUCED CREDIT.*—The  
2           *amount of credit determined under this subpara-*  
3           *graph for any taxable year shall be the amount*  
4           *equal to the excess of—*

5                     “(i) *the amount of credit determined*  
6                     *under section 45C(a) without regard to this*  
7                     *paragraph, over*

8                     “(ii) *the product of—*

9                             “(I) *the amount described in*  
10                            *clause (i), and*

11                           “(II) *the maximum rate of tax*  
12                           *under section 11(b).*

13           “(C) *ELECTION.*—*An election under this*  
14           *paragraph for any taxable year shall be made*  
15           *not later than the time for filing the return of*  
16           *tax for such year (including extensions), shall be*  
17           *made on such return, and shall be made in such*  
18           *manner as the Secretary shall prescribe. Such an*  
19           *election, once made, shall be irrevocable.”.*

20           “(c) *EFFECTIVE DATE.*—*The amendments made by this*  
21           *section shall apply to taxable years beginning after Decem-*  
22           *ber 31, 2017.*

1 **SEC. 13402. REHABILITATION CREDIT LIMITED TO CER-**  
2 **TIFIED HISTORIC STRUCTURES.**

3 (a) *IN GENERAL.*—Subsection (a) of section 47 is  
4 amended to read as follows:

5 “(a) *GENERAL RULE.*—

6 “(1) *IN GENERAL.*—For purposes of section 46,  
7 for any taxable year during the 5-year period begin-  
8 ning in the taxable year in which a qualified reha-  
9 bilitated building is placed in service, the rehabilita-  
10 tion credit for such year is an amount equal to the  
11 ratable share for such year.

12 “(2) *RATABLE SHARE.*—For purposes of para-  
13 graph (1), the ratable share for any taxable year dur-  
14 ing the period described in such paragraph is the  
15 amount equal to 20 percent of the qualified rehabili-  
16 tation expenditures with respect to the qualified reha-  
17 bilitated building, as allocated ratably to each year  
18 during such period.”.

19 (b) *CONFORMING AMENDMENTS.*—

20 (1) Section 47(c) is amended—

21 (A) in paragraph (1)—

22 (i) in subparagraph (A), by amending  
23 clause (iii) to read as follows:

24 “(iii) such building is a certified his-  
25 toric structure, and”,

26 (ii) by striking subparagraph (B), and

1                   (iii) by redesignating subparagraphs  
2                   (C) and (D) as subparagraphs (B) and (C),  
3                   respectively, and  
4                   (B) in paragraph (2)(B), by amending  
5                   clause (iv) to read as follows:

6                   “(iv) *CERTIFIED HISTORIC STRUC-*  
7                   *TURE.—Any expenditure attributable to the*  
8                   *rehabilitation of a qualified rehabilitated*  
9                   *building unless the rehabilitation is a cer-*  
10                   *tified rehabilitation (within the meaning of*  
11                   *subparagraph (C)).”.*

12                   (2) Paragraph (4) of section 145(d) is amend-  
13                   ed—

14                   (A) by striking “of section 47(c)(1)(C)” each  
15                   place it appears and inserting “of section  
16                   47(c)(1)(B)”, and

17                   (B) by striking “section 47(c)(1)(C)(i)” and  
18                   inserting “section 47(c)(1)(B)(i)”.

19                   (c) *EFFECTIVE DATE.—*

20                   (1) *IN GENERAL.—Except as provided in para-*  
21                   *graph (2), the amendments made by this section shall*  
22                   *apply to amounts paid or incurred after December*  
23                   *31, 2017.*

1           (2) *TRANSITION RULE.*—*In the case of qualified*  
2 *rehabilitation expenditures with respect to any build-*  
3 *ing—*

4                   (A) *owned or leased by the taxpayer during*  
5 *the entirety of the period after December 31,*  
6 *2017, and*

7                   (B) *with respect to which the 24-month pe-*  
8 *riod selected by the taxpayer under clause (i) of*  
9 *section 47(c)(1)(B) of the Internal Revenue Code*  
10 *(as amended by subsection (b)), or the 60-month*  
11 *period applicable under clause (ii) of such sec-*  
12 *tion, begins not later than 180 days after the*  
13 *date of the enactment of this Act,*

14 *the amendments made by this section shall apply to*  
15 *such expenditures paid or incurred after the end of*  
16 *the taxable year in which the 24-month period, or the*  
17 *60-month period, referred to in subparagraph (B)*  
18 *ends.*

19 **SEC. 13403. EMPLOYER CREDIT FOR PAID FAMILY AND MED-**  
20 **ICAL LEAVE.**

21 (a) *IN GENERAL.*—

22           (1) *ALLOWANCE OF CREDIT.*—*Subpart D of part*  
23 *IV of subchapter A of chapter 1 is amended by adding*  
24 *at the end the following new section:*



1 **“SEC. 45S. EMPLOYER CREDIT FOR PAID FAMILY AND MED-**  
2 **ICAL LEAVE.**

3 “(a) *ESTABLISHMENT OF CREDIT.*—

4 “(1) *IN GENERAL.*—*For purposes of section 38,*  
5 *in the case of an eligible employer, the paid family*  
6 *and medical leave credit is an amount equal to the*  
7 *applicable percentage of the amount of wages paid to*  
8 *qualifying employees during any period in which*  
9 *such employees are on family and medical leave.*

10 “(2) *APPLICABLE PERCENTAGE.*—*For purposes*  
11 *of paragraph (1), the term ‘applicable percentage’*  
12 *means 12.5 percent increased (but not above 25 per-*  
13 *cent) by 0.25 percentage points for each percentage*  
14 *point by which the rate of payment (as described*  
15 *under subsection (c)(1)(B)) exceeds 50 percent.*

16 “(b) *LIMITATION.*—

17 “(1) *IN GENERAL.*—*The credit allowed under*  
18 *subsection (a) with respect to any employee for any*  
19 *taxable year shall not exceed an amount equal to the*  
20 *product of the normal hourly wage rate of such em-*  
21 *ployee for each hour (or fraction thereof) of actual*  
22 *services performed for the employer and the number*  
23 *of hours (or fraction thereof) for which family and*  
24 *medical leave is taken.*

25 “(2) *NON-HOURLY WAGE RATE.*—*For purposes of*  
26 *paragraph (1), in the case of any employee who is not*

1     *paid on an hourly wage rate, the wages of such em-*  
2     *ployee shall be prorated to an hourly wage rate under*  
3     *regulations established by the Secretary.*

4             “(3) *MAXIMUM AMOUNT OF LEAVE SUBJECT TO*  
5     *CREDIT.—The amount of family and medical leave*  
6     *that may be taken into account with respect to any*  
7     *employee under subsection (a) for any taxable year*  
8     *shall not exceed 12 weeks.*

9             “(c) *ELIGIBLE EMPLOYER.—For purposes of this sec-*  
10    *tion—*

11             “(1) *IN GENERAL.—The term ‘eligible employer’*  
12    *means any employer who has in place a written pol-*  
13    *icy that meets the following requirements:*

14             “(A) *The policy provides—*

15             “(i) *in the case of a qualifying em-*  
16    *ployee who is not a part-time employee (as*  
17    *defined in section 4980E(d)(4)(B)), not less*  
18    *than 2 weeks of annual paid family and*  
19    *medical leave, and*

20             “(ii) *in the case of a qualifying em-*  
21    *ployee who is a part-time employee, an*  
22    *amount of annual paid family and medical*  
23    *leave that is not less than an amount which*  
24    *bears the same ratio to the amount of an-*  
25    *annual paid family and medical leave that is*

1           *provided to a qualifying employee described*  
2           *in clause (i) as—*

3                     *“(I) the number of hours the em-*  
4                     *ployee is expected to work during any*  
5                     *week, bears to*

6                     *“(II) the number of hours an*  
7                     *equivalent qualifying employee de-*  
8                     *scribed in clause (i) is expected to work*  
9                     *during the week.*

10                    *“(B) The policy requires that the rate of*  
11                    *payment under the program is not less than 50*  
12                    *percent of the wages normally paid to such em-*  
13                    *ployee for services performed for the employer.*

14                    *“(2) SPECIAL RULE FOR CERTAIN EMPLOYERS.—*

15                    *“(A) IN GENERAL.—An added employer*  
16                    *shall not be treated as an eligible employer un-*  
17                    *less such employer provides paid family and*  
18                    *medical leave in compliance with a written pol-*  
19                    *icy which ensures that the employer—*

20                    *“(i) will not interfere with, restrain, or*  
21                    *deny the exercise of or the attempt to exer-*  
22                    *cise, any right provided under the policy,*  
23                    *and*

24                    *“(ii) will not discharge or in any other*  
25                    *manner discriminate against any indi-*

1           *vidual for opposing any practice prohibited*  
2           *by the policy.*

3           “(B) *ADDED EMPLOYER; ADDED EM-*  
4           *PLOYEE.—For purposes of this paragraph—*

5                   “(i) *ADDED EMPLOYEE.—The term*  
6                   *‘added employee’ means a qualifying em-*  
7                   *ployee who is not covered by title I of the*  
8                   *Family and Medical Leave Act of 1993, as*  
9                   *amended.*

10                   “(ii) *ADDED EMPLOYER.—The term*  
11                   *‘added employer’ means an eligible em-*  
12                   *ployer (determined without regard to this*  
13                   *paragraph), whether or not covered by that*  
14                   *title I, who offers paid family and medical*  
15                   *leave to added employees.*

16           “(3) *AGGREGATION RULE.—All persons which*  
17           *are treated as a single employer under subsections (a)*  
18           *and (b) of section 52 shall be treated as a single tax-*  
19           *payer.*

20           “(4) *TREATMENT OF BENEFITS MANDATED OR*  
21           *PAID FOR BY STATE OR LOCAL GOVERNMENTS.—For*  
22           *purposes of this section, any leave which is paid by*  
23           *a State or local government or required by State or*  
24           *local law shall not be taken into account in deter-*

1        *mining the amount of paid family and medical leave*  
2        *provided by the employer.*

3            “(5) *NO INFERENCE.*—*Nothing in this subsection*  
4        *shall be construed as subjecting an employer to any*  
5        *penalty, liability, or other consequence (other than in-*  
6        *eligibility for the credit allowed by reason of sub-*  
7        *section (a) or recapturing the benefit of such credit)*  
8        *for failure to comply with the requirements of this*  
9        *subsection.*

10          “(d) *QUALIFYING EMPLOYEES.*—*For purposes of this*  
11        *section, the term ‘qualifying employee’ means any employee*  
12        *(as defined in section 3(e) of the Fair Labor Standards Act*  
13        *of 1938, as amended) who—*

14            “(1) *has been employed by the employer for 1*  
15        *year or more, and*

16            “(2) *for the preceding year, had compensation*  
17        *not in excess of an amount equal to 60 percent of the*  
18        *amount applicable for such year under clause (i) of*  
19        *section 414(q)(1)(B).*

20          “(e) *FAMILY AND MEDICAL LEAVE.*—

21            “(1) *IN GENERAL.*—*Except as provided in para-*  
22        *graph (2), for purposes of this section, the term ‘fam-*  
23        *ily and medical leave’ means leave for any 1 or more*  
24        *of the purposes described under subparagraph (A),*  
25        *(B), (C), (D), or (E) of paragraph (1), or paragraph*

1       (3), of section 102(a) of the Family and Medical  
2       Leave Act of 1993, as amended, whether the leave is  
3       provided under that Act or by a policy of the em-  
4       ployer.

5               “(2) *EXCLUSION.*—If an employer provides paid  
6       leave as vacation leave, personal leave, or medical or  
7       sick leave (other than leave specifically for 1 or more  
8       of the purposes referred to in paragraph (1)), that  
9       paid leave shall not be considered to be family and  
10      medical leave under paragraph (1).

11              “(3) *DEFINITIONS.*—In this subsection, the terms  
12      ‘vacation leave’, ‘personal leave’, and ‘medical or sick  
13      leave’ mean those 3 types of leave, within the meaning  
14      of section 102(d)(2) of that Act.

15              “(f) *DETERMINATIONS MADE BY SECRETARY OF*  
16      *TREASURY.*—For purposes of this section, any determina-  
17      tion as to whether an employer or an employee satisfies the  
18      applicable requirements for an eligible employer (as de-  
19      scribed in subsection (c)) or qualifying employee (as de-  
20      scribed in subsection (d)), respectively, shall be made by the  
21      Secretary based on such information, to be provided by the  
22      employer, as the Secretary determines to be necessary or  
23      appropriate.

24              “(g) *WAGES.*—For purposes of this section, the term  
25      ‘wages’ has the meaning given such term by subsection (b)

1 of section 3306 (determined without regard to any dollar  
2 limitation contained in such section). Such term shall not  
3 include any amount taken into account for purposes of de-  
4 termining any other credit allowed under this subpart.

5 “(h) *ELECTION TO HAVE CREDIT NOT APPLY.*—

6 “(1) *IN GENERAL.*—A taxpayer may elect to  
7 have this section not apply for any taxable year.

8 “(2) *OTHER RULES.*—Rules similar to the rules  
9 of paragraphs (2) and (3) of section 51(j) shall apply  
10 for purposes of this subsection.

11 “(i) *TERMINATION.*—This section shall not apply to  
12 wages paid in taxable years beginning after December 31,  
13 2019.”.

14 (b) *CREDIT PART OF GENERAL BUSINESS CREDIT.*—  
15 Section 38(b) is amended by striking “plus” at the end of  
16 paragraph (35), by striking the period at the end of para-  
17 graph (36) and inserting “, plus”, and by adding at the  
18 end the following new paragraph:

19 “(37) in the case of an eligible employer (as de-  
20 fined in section 45S(c)), the paid family and medical  
21 leave credit determined under section 45S(a).”.

22 (c) *CREDIT ALLOWED AGAINST AMT.*—Subparagraph  
23 (B) of section 38(c)(4) is amended by redesignating clauses  
24 (ix) through (xi) as clauses (x) through (xii), respectively,  
25 and by inserting after clause (viii) the following new clause:

1                   “(ix) the credit determined under sec-  
2                   tion 45S,”.

3           (d) *CONFORMING AMENDMENTS.*—

4               (1) *DENIAL OF DOUBLE BENEFIT.*—Section  
5               280C(a) is amended by inserting “45S(a),” after  
6               “45P(a),”.

7               (2) *ELECTION TO HAVE CREDIT NOT APPLY.*—  
8               Section 6501(m) is amended by inserting “45S(h),”  
9               after “45H(g),”.

10              (3) *CLERICAL AMENDMENT.*—The table of sec-  
11              tions for subpart D of part IV of subchapter A of  
12              chapter 1 is amended by adding at the end the fol-  
13              lowing new item:

          “Sec. 45S. Employer credit for paid family and medical leave.”.

14              (e) *EFFECTIVE DATE.*—The amendments made by this  
15              section shall apply to wages paid in taxable years begin-  
16              ning after December 31, 2017.

17   **SEC. 13404. REPEAL OF TAX CREDIT BONDS.**

18              (a) *IN GENERAL.*—Part IV of subchapter A of chapter  
19              1 is amended by striking subparts H, I, and J (and by  
20              striking the items relating to such subparts in the table of  
21              subparts for such part).

22              (b) *PAYMENTS TO ISSUERS.*—Subchapter B of chapter  
23              65 is amended by striking section 6431 (and by striking  
24              the item relating to such section in the table of sections for  
25              such subchapter).



1 (c) *CONFORMING AMENDMENTS.*—

2 (1) *Part IV of subchapter U of chapter 1 is*  
 3 *amended by striking section 1397E (and by striking*  
 4 *the item relating to such section in the table of sec-*  
 5 *tions for such part).*

6 (2) *Section 54(l)(3)(B) is amended by inserting*  
 7 *“(as in effect before its repeal by the Tax Cuts and*  
 8 *Jobs Act)” after “section 1397E(I)”.*

9 (3) *Section 6211(b)(4)(A) is amended by striking*  
 10 *“, and 6431” and inserting “and” before “36B”.*

11 (4) *Section 6401(b)(1) is amended by striking*  
 12 *“G, H, I, and J” and inserting “and G”.*

13 (d) *EFFECTIVE DATE.*—*The amendments made by this*  
 14 *section shall apply to bonds issued after December 31, 2017.*

15 **PART VI—PROVISIONS RELATED TO SPECIFIC**

16 **ENTITIES AND INDUSTRIES**

17 **Subpart A—Partnership Provisions**

18 **SEC. 13501. TREATMENT OF GAIN OR LOSS OF FOREIGN**

19 **PERSONS FROM SALE OR EXCHANGE OF IN-**

20 **TERESTS IN PARTNERSHIPS ENGAGED IN**

21 **TRADE OR BUSINESS WITHIN THE UNITED**

22 **STATES.**

23 (a) *AMOUNT TREATED AS EFFECTIVELY CON-*  
 24 *NECTED.*—

1           (1) *IN GENERAL.*—Section 864(c) is amended by  
2 adding at the end the following:

3           “(8) *GAIN OR LOSS OF FOREIGN PERSONS FROM*  
4 *SALE OR EXCHANGE OF CERTAIN PARTNERSHIP IN-*  
5 *TERESTS.*—

6           “(A) *IN GENERAL.*—Notwithstanding any  
7 other provision of this subtitle, if a nonresident  
8 alien individual or foreign corporation owns, di-  
9 rectly or indirectly, an interest in a partnership  
10 which is engaged in any trade or business within  
11 the United States, gain or loss on the sale or ex-  
12 change of all (or any portion of) such interest  
13 shall be treated as effectively connected with the  
14 conduct of such trade or business to the extent  
15 such gain or loss does not exceed the amount de-  
16 termined under subparagraph (B).

17           “(B) *AMOUNT TREATED AS EFFECTIVELY*  
18 *CONNECTED.*—The amount determined under  
19 this subparagraph with respect to any partner-  
20 ship interest sold or exchanged—

21           “(i) in the case of any gain on the sale  
22 or exchange of the partnership interest, is—

23           “(I) the portion of the partner’s  
24 distributive share of the amount of  
25 gain which would have been effectively

1           *connected with the conduct of a trade*  
2           *or business within the United States if*  
3           *the partnership had sold all of its as-*  
4           *sets at their fair market value as of the*  
5           *date of the sale or exchange of such in-*  
6           *terest, or*

7                   “(II) zero if no gain on such  
8                   *deemed sale would have been so effec-*  
9                   *tively connected, and*

10                   “(ii) in the case of any loss on the sale  
11                   *or exchange of the partnership interest, is—*

12                           “(I) the portion of the partner’s  
13                           *distributive share of the amount of loss*  
14                           *on the deemed sale described in clause*  
15                           *(i)(I) which would have been so effec-*  
16                           *tively connected, or*

17                           “(II) zero if no loss on such  
18                           *deemed sale would be have been so ef-*  
19                           *fectively connected.*

20           *For purposes of this subparagraph, a part-*  
21           *ner’s distributive share of gain or loss on*  
22           *the deemed sale shall be determined in the*  
23           *same manner as such partner’s distributive*  
24           *share of the non-separately stated taxable*  
25           *income or loss of such partnership.*

1           “(C) *COORDINATION WITH UNITED STATES*  
2           *REAL PROPERTY INTERESTS.*—If a partnership  
3           described in subparagraph (A) holds any United  
4           States real property interest (as defined in sec-  
5           tion 897(c)) at the time of the sale or exchange  
6           of the partnership interest, then the gain or loss  
7           treated as effectively connected income under  
8           subparagraph (A) shall be reduced by the  
9           amount so treated with respect to such United  
10          States real property interest under section 897.

11          “(D) *SALE OR EXCHANGE.*—For purposes of  
12          this paragraph, the term ‘sale or exchange’  
13          means any sale, exchange, or other disposition.

14          “(E) *SECRETARIAL AUTHORITY.*—The Sec-  
15          retary shall prescribe such regulations or other  
16          guidance as the Secretary determines appro-  
17          priate for the application of this paragraph, in-  
18          cluding with respect to exchanges described in  
19          section 332, 351, 354, 355, 356, or 361.”.

20          (2)    *CONFORMING AMENDMENTS.*—Section  
21          864(c)(1) is amended—

22                (A) by striking “and (7)” in subparagraph  
23                (A), and inserting “(7), and (8)”, and

24                (B) by striking “or (7)” in subparagraph  
25                (B), and inserting “(7), or (8)”.

1       **(b) WITHHOLDING REQUIREMENTS.**—Section 1446 is  
2 amended by redesignating subsection (f) as subsection (g)  
3 and by inserting after subsection (e) the following:

4       **“(f) SPECIAL RULES FOR WITHHOLDING ON DISPOSI-**  
5 **TIONS OF PARTNERSHIP INTERESTS.**—

6           **“(1) IN GENERAL.**—Except as provided in this  
7 subsection, if any portion of the gain (if any) on any  
8 disposition of an interest in a partnership would be  
9 treated under section 864(c)(8) as effectively con-  
10 nected with the conduct of a trade or business within  
11 the United States, the transferee shall be required to  
12 deduct and withhold a tax equal to 10 percent of the  
13 amount realized on the disposition.

14           **“(2) EXCEPTION IF NONFOREIGN AFFIDAVIT FUR-**  
15 **NISHED.**—

16           **“(A) IN GENERAL.**—No person shall be re-  
17 quired to deduct and withhold any amount  
18 under paragraph (1) with respect to any disposi-  
19 tion if the transferor furnishes to the transferee  
20 an affidavit by the transferor stating, under pen-  
21 alty of perjury, the transferor’s United States  
22 taxpayer identification number and that the  
23 transferor is not a foreign person.

24           **“(B) FALSE AFFIDAVIT.**—Subparagraph (A)  
25 shall not apply to any disposition if—

1           “(i) the transferee has actual knowl-  
2           edge that the affidavit is false, or the trans-  
3           feree receives a notice (as described in sec-  
4           tion 1445(d)) from a transferor’s agent or  
5           transferee’s agent that such affidavit or  
6           statement is false, or

7           “(ii) the Secretary by regulations re-  
8           quires the transferee to furnish a copy of  
9           such affidavit or statement to the Secretary  
10          and the transferee fails to furnish a copy of  
11          such affidavit or statement to the Secretary  
12          at such time and in such manner as re-  
13          quired by such regulations.

14          “(C) *RULES FOR AGENTS.*—The rules of sec-  
15          tion 1445(d) shall apply to a transferor’s agent  
16          or transferee’s agent with respect to any affidavit  
17          described in subparagraph (A) in the same man-  
18          ner as such rules apply with respect to the dis-  
19          position of a United States real property interest  
20          under such section.

21          “(3) *AUTHORITY OF SECRETARY TO PRESCRIBE*  
22          *REDUCED AMOUNT.*—At the request of the transferor  
23          or transferee, the Secretary may prescribe a reduced  
24          amount to be withheld under this section if the Sec-  
25          retary determines that to substitute such reduced

1     *amount will not jeopardize the collection of the tax*  
2     *imposed under this title with respect to gain treated*  
3     *under section 864(c)(8) as effectively connected with*  
4     *the conduct of a trade or business with in the United*  
5     *States.*

6             “(4) *PARTNERSHIP TO WITHHOLD AMOUNTS NOT*  
7     *WITHHELD BY THE TRANSFEREE.*—*If a transferee*  
8     *fails to withhold any amount required to be withheld*  
9     *under paragraph (1), the partnership shall be re-*  
10    *quired to deduct and withhold from distributions to*  
11    *the transferee a tax in an amount equal to the*  
12    *amount the transferee failed to withhold (plus interest*  
13    *under this title on such amount).*

14            “(5) *DEFINITIONS.*—*Any term used in this sub-*  
15    *section which is also used under section 1445 shall*  
16    *have the same meaning as when used in such section.*

17            “(6) *REGULATIONS.*—*The Secretary shall pre-*  
18    *scribe such regulations or other guidance as may be*  
19    *necessary to carry out the purposes of this subsection,*  
20    *including regulations providing for exceptions from*  
21    *the provisions of this subsection.”.*

22    (c) *EFFECTIVE DATES.*—

23            (1) *SUBSECTION (a).*—*The amendments made by*  
24    *subsection (a) shall apply to sales, exchanges, and dis-*  
25    *positions on or after November 27, 2017.*

1           (2) *SUBSECTION (b).*—*The amendment made by*  
2           *subsection (b) shall apply to sales, exchanges, and dis-*  
3           *positions after December 31, 2017.*

4 **SEC. 13502. MODIFY DEFINITION OF SUBSTANTIAL BUILT-IN**  
5           **LOSS IN THE CASE OF TRANSFER OF PART-**  
6           **nership INTEREST.**

7           (a) *IN GENERAL.*—*Paragraph (1) of section 743(d) is*  
8           *to read as follows:*

9                   “(1) *IN GENERAL.*—*For purposes of this section,*  
10           *a partnership has a substantial built-in loss with re-*  
11           *spect to a transfer of an interest in the partnership*  
12           *if—*

13                           “(A) *the partnership’s adjusted basis in the*  
14           *partnership property exceeds by more than*  
15           *\$250,000 the fair market value of such property,*  
16           *or*

17                           “(B) *the transferee partner would be allo-*  
18           *cated a loss of more than \$250,000 if the part-*  
19           *nership assets were sold for cash equal to their*  
20           *fair market value immediately after such trans-*  
21           *fer.”.*

22           (b) *EFFECTIVE DATE.*—*The amendments made by this*  
23           *section shall apply to transfers of partnership interests after*  
24           *December 31, 2017.*



1 **SEC. 13503. CHARITABLE CONTRIBUTIONS AND FOREIGN**  
2 **TAXES TAKEN INTO ACCOUNT IN DETER-**  
3 **MINING LIMITATION ON ALLOWANCE OF**  
4 **PARTNER'S SHARE OF LOSS.**

5 (a) *IN GENERAL.*—Subsection (d) of section 704 is  
6 amended—

7 (1) by striking “A partner’s distributive share”  
8 and inserting the following:

9 “(1) *IN GENERAL.*—A partner’s distributive  
10 share”,

11 (2) by striking “Any excess of such loss” and in-  
12 serting the following:

13 “(2) *CARRYOVER.*—Any excess of such loss”, and

14 (3) by adding at the end the following new para-  
15 graph:

16 “(3) *SPECIAL RULES.*—

17 “(A) *IN GENERAL.*—In determining the  
18 amount of any loss under paragraph (1), there  
19 shall be taken into account the partner’s dis-  
20 tributive share of amounts described in para-  
21 graphs (4) and (6) of section 702(a).

22 “(B) *EXCEPTION.*—In the case of a chari-  
23 table contribution of property whose fair market  
24 value exceeds its adjusted basis, subparagraph  
25 (A) shall not apply to the extent of the partner’s  
26 distributive share of such excess.”.

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

4 **SEC. 13504. REPEAL OF TECHNICAL TERMINATION OF PART-**  
5 **NERSHIPS.**

6       (a) *IN GENERAL.*—*Paragraph (1) of section 708(b) is*  
7 *amended—*

8           (1) *by striking “, or” at the end of subparagraph*  
9 *(A) and all that follows and inserting a period, and*

10          (2) *by striking “only if—” and all that follows*  
11 *through “no part of any business” and inserting the*  
12 *following: “only if no part of any business”.*

13       (b) *CONFORMING AMENDMENT.*—

14           (1) *Section 168(i)(7)(B) is amended by striking*  
15 *the second sentence.*

16           (2) *Section 743(e) is amended by striking para-*  
17 *graph (4) and redesignating paragraphs (5), (6), and*  
18 *(7) as paragraphs (4), (5), and (6).*

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

1                   **Subpart B—Insurance Reforms**

2   **SEC. 13511. NET OPERATING LOSSES OF LIFE INSURANCE**  
3                   **COMPANIES.**

4           (a) *IN GENERAL.*—Section 805(b) is amended by strik-  
5 *ing paragraph (4) and by redesignating paragraph (5) as*  
6 *paragraph (4).*

7           (b) *CONFORMING AMENDMENTS.*—

8                   (1) *Part I of subchapter L of chapter 1 is*  
9 *amended by striking section 810 (and by striking the*  
10 *item relating to such section in the table of sections*  
11 *for such part).*

12                   (2)(A) *Part III of subchapter L of chapter 1 is*  
13 *amended by striking section 844 (and by striking the*  
14 *item relating to such section in the table of sections*  
15 *for such part).*

16                   (B) *Section 831(b)(3) is amended by striking*  
17 *“except as provided in section 844,”*

18                   (3) *Section 381 is amended by striking sub-*  
19 *section (d).*

20                   (4) *Section 805(a)(4)(B)(ii) is amended to read*  
21 *as follows:*

22                                   *“(ii) the deduction allowed under sec-*  
23 *tion 172,”.*

24                   (5) *Section 805(a) is amended by striking para-*  
25 *graph (5).*

1           (6) Section 805(b)(2)(A)(iv) is amended to read  
2 as follows:

3                   “(iv) any net operating loss carryback  
4 to the taxable year under section 172, and”.

5           (7) Section 953(b)(1)(B) is amended to read as  
6 follows:

7                   “(B) So much of section 805(a)(8) as relates  
8 to the deduction allowed under section 172.”.

9           (8) Section 1351(i)(3) is amended by striking  
10 “or the operations loss deduction under section 810,”.

11           (c) *EFFECTIVE DATE.*—The amendments made by this  
12 section shall apply to losses arising in taxable years begin-  
13 ning after December 31, 2017.

14 **SEC. 13512. REPEAL OF SMALL LIFE INSURANCE COMPANY**  
15 **DEDUCTION.**

16           (a) *IN GENERAL.*—Part I of subchapter L of chapter  
17 1 is amended by striking section 806 (and by striking the  
18 item relating to such section in the table of sections for such  
19 part).

20           (b) *CONFORMING AMENDMENTS.*—

21                   (1) Section 453B(e) is amended—

22                           (A) by striking “(as defined in section  
23 806(b)(3))” in paragraph (2)(B), and

24                           (B) by adding at the end the following new  
25 paragraph:

1           “(3) *NONINSURANCE BUSINESS.*—

2                   “(A) *IN GENERAL.*—*For purposes of this*  
3                   *subsection, the term ‘noninsurance business’*  
4                   *means any activity which is not an insurance*  
5                   *business.*

6                   “(B) *CERTAIN ACTIVITIES TREATED AS IN-*  
7                   *SURANCE BUSINESSES.*—*For purposes of sub-*  
8                   *paragraph (A), any activity which is not an in-*  
9                   *surance business shall be treated as an insurance*  
10                  *business if—*

11                           “(i) *it is of a type traditionally car-*  
12                           *ried on by life insurance companies for in-*  
13                           *vestment purposes, but only if the carrying*  
14                           *on of such activity (other than in the case*  
15                           *of real estate) does not constitute the active*  
16                           *conduct of a trade or business, or*

17                           “(ii) *it involves the performance of ad-*  
18                           *ministrative services in connection with*  
19                           *plans providing life insurance, pension, or*  
20                           *accident and health benefits.”.*

21                  (2) *Section 465(c)(7)(D)(v)(II) is amended by*  
22                  *striking “section 806(b)(3)” and inserting “section*  
23                  *453B(e)(3)”.*

24                  (3) *Section 801(a)(2) is amended by striking*  
25                  *subparagraph (C).*

1           (4) Section 804 is amended by striking  
2           “means—” and all that follows and inserting “means  
3           the general deductions provided in section 805.”.

4           (5) Section 805(a)(4)(B), as amended by this  
5           Act, is amended by striking clause (i) and by redesignig-  
6           nating clauses (ii), (iii), and (iv) as clauses (i), (ii),  
7           and (iii), respectively.

8           (6) Section 805(b)(2)(A), as amended by this  
9           Act, is amended by striking clause (iii) and by redesignig-  
10          nating clauses (iv) and (v) as clauses (iii) and (iv),  
11          respectively.

12          (7) Section 842(c) is amended by striking para-  
13          graph (1) and by redesignating paragraphs (2) and  
14          (3) as paragraphs (1) and (2), respectively.

15          (8) Section 953(b)(1), as amended by section  
16          13511, is amended by striking subparagraph (A) and  
17          by redesignating subparagraphs (B) and (C) as sub-  
18          paragraphs (A) and (B), respectively.

19          (c) *EFFECTIVE DATE.*—The amendments made by this  
20          section shall apply to taxable years beginning after Decem-  
21          ber 31, 2017.

22          **SEC. 13513. ADJUSTMENT FOR CHANGE IN COMPUTING RE-**  
23          **SERVES.**

24          (a) *IN GENERAL.*—Paragraph (1) of section 807(f) is  
25          amended to read as follows:

1           “(1) *TREATMENT AS CHANGE IN METHOD OF AC-*  
2           *COUNTING.—If the basis for determining any item re-*  
3           *ferred to in subsection (c) as of the close of any tax-*  
4           *able year differs from the basis for such determination*  
5           *as of the close of the preceding taxable year, then so*  
6           *much of the difference between—*

7                   “(A) *the amount of the item at the close of*  
8                   *the taxable year, computed on the new basis, and*

9                   “(B) *the amount of the item at the close of*  
10                   *the taxable year, computed on the old basis,*

11           *as is attributable to contracts issued before the taxable*  
12           *year shall be taken into account under section 481 as*  
13           *adjustments attributable to a change in method of ac-*  
14           *counting initiated by the taxpayer and made with the*  
15           *consent of the Secretary.”.*

16           (b) *EFFECTIVE DATE.—The amendments made by this*  
17           *section shall apply to taxable years beginning after Decem-*  
18           *ber 31, 2017.*

19           **SEC. 13514. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS**  
20                   **TO SHAREHOLDERS FROM PRE-1984 POLICY-**  
21                   **HOLDERS SURPLUS ACCOUNT.**

22           (a) *IN GENERAL.—Subpart D of part I of subchapter*  
23           *L is amended by striking section 815 (and by striking the*  
24           *item relating to such section in the table of sections for such*  
25           *subpart).*

1       (b) *CONFORMING AMENDMENT.*—Section 801 is  
2 amended by striking subsection (c).

3       (c) *EFFECTIVE DATE.*—The amendments made by this  
4 section shall apply to taxable years beginning after Decem-  
5 ber 31, 2017.

6       (d) *PHASED INCLUSION OF REMAINING BALANCE OF*  
7 *POLICYHOLDERS SURPLUS ACCOUNTS.*—In the case of any  
8 stock life insurance company which has a balance (deter-  
9 mined as of the close of such company's last taxable year  
10 beginning before January 1, 2018) in an existing policy-  
11 holders surplus account (as defined in section 815 of the  
12 Internal Revenue Code of 1986, as in effect before its re-  
13 peal), the tax imposed by section 801 of such Code for the  
14 first 8 taxable years beginning after December 31, 2017,  
15 shall be the amount which would be imposed by such section  
16 for such year on the sum of—

17               (1) life insurance company taxable income for  
18 such year (within the meaning of such section 801 but  
19 not less than zero), plus

20               (2)  $\frac{1}{8}$  of such balance.

21 **SEC. 13515. MODIFICATION OF PRORATION RULES FOR**  
22 **PROPERTY AND CASUALTY INSURANCE COM-**  
23 **PANIES.**

24       (a) *IN GENERAL.*—Section 832(b)(5)(B) is amended—



1           (1) *by striking “15 percent” and inserting “the*  
2 *applicable percentage”, and*

3           (2) *by inserting at the end the following new sen-*  
4 *tence: “For purposes of this subparagraph, the appli-*  
5 *cable percentage is 5.25 percent divided by the highest*  
6 *rate in effect under section 11(b).”.*

7           (b) *EFFECTIVE DATE.—The amendments made by this*  
8 *section shall apply to taxable years beginning after Decem-*  
9 *ber 31, 2017.*

10 **SEC. 13516. REPEAL OF SPECIAL ESTIMATED TAX PAY-**  
11 **MENTS.**

12           (a) *IN GENERAL.—Part III of subchapter L of chapter*  
13 *1 is amended by striking section 847 (and by striking the*  
14 *item relating to such section in the table of sections for such*  
15 *part).*

16           (b) *EFFECTIVE DATE.—The amendments made by this*  
17 *section shall apply to taxable years beginning after Decem-*  
18 *ber 31, 2017.*

19 **SEC. 13517. COMPUTATION OF LIFE INSURANCE TAX RE-**  
20 **SERVES.**

21           (a) *IN GENERAL.—*

22                   (1) *APPROPRIATE RATE OF INTEREST.—The sec-*  
23 *ond sentence of section 807(c) is amended to read as*  
24 *follows: “For purposes of paragraph (3), the appro-*  
25 *priate rate of interest is the highest rate or rates per-*

1       mitted to be used to discount the obligations by the  
2       National Association of Insurance Commissioners as  
3       of the date the reserve is determined.”.

4               (2) *METHOD OF COMPUTING RESERVES.*—Sec-  
5       tion 807(d) is amended—

6                       (A) by striking paragraphs (1), (2), (4),  
7       and (5),

8                       (B) by redesignating paragraph (6) as  
9       paragraph (4),

10                      (C) by inserting before paragraph (3) the  
11       following new paragraphs:

12               “(1) *DETERMINATION OF RESERVE.*—

13                       “(A) *IN GENERAL.*—For purposes of this  
14       part (other than section 816), the amount of the  
15       life insurance reserves for any contract (other  
16       than a contract to which subparagraph (B) ap-  
17       plies) shall be the greater of—

18                               “(i) the net surrender value of such  
19       contract, or

20                               “(ii) 92.81 percent of the reserve deter-  
21       mined under paragraph (2).

22                       “(B) *VARIABLE CONTRACTS.*—For purposes  
23       of this part (other than section 816), the amount  
24       of the life insurance reserves for a variable con-  
25       tract shall be equal to the sum of—

1                   “(i) the greater of—

2                               “(I) the net surrender value of  
3                   such contract, or

4                               “(II) the portion of the reserve  
5                   that is separately accounted for under  
6                   section 817, plus

7                               “(ii) 92.81 percent of the excess (if  
8                   any) of the reserve determined under para-  
9                   graph (2) over the amount in clause (i).

10                   “(C) *STATUTORY CAP.*—In no event shall  
11                   the reserves determined under subparagraphs (A)  
12                   or (B) for any contract as of any time exceed the  
13                   amount which would be taken into account with  
14                   respect to such contract as of such time in deter-  
15                   mining statutory reserves (as defined in para-  
16                   graph (4)).

17                   “(D) *NO DOUBLE COUNTING.*—In no event  
18                   shall any amount or item be taken into account  
19                   more than once in determining any reserve  
20                   under this subchapter.

21                   “(2) *AMOUNT OF RESERVE.*—The amount of the  
22                   reserve determined under this paragraph with respect  
23                   to any contract shall be determined by using the tax  
24                   reserve method applicable to such contract.”.

1           (D) by striking “(other than a qualified  
2 long-term care insurance contract, as defined in  
3 section 7702B(b)), a 2-year full preliminary  
4 term method” in paragraph (3)(A)(iii) and in-  
5 serting “, the reserve method prescribed by the  
6 National Association of Insurance Commis-  
7 sioners which covers such contract as of the date  
8 the reserve is determined”,

9           (E) by striking “(as of the date of  
10 issuance)” in paragraph (3)(A)(iv)(I) and in-  
11 serting “(as of the date the reserve is deter-  
12 mined)”,

13           (F) by striking “as of the date of the  
14 issuance of” in paragraph (3)(A)(iv)(II) and in-  
15 serting “as of the date the reserve is determined  
16 for”,

17           (G) by striking “in effect on the date of the  
18 issuance of the contract” in paragraph (3)(B)(i)  
19 and inserting “applicable to the contract and in  
20 effect as of the date the reserve is determined”,  
21 and

22           (H) by striking “in effect on the date of the  
23 issuance of the contract” in paragraph (3)(B)(ii)  
24 and inserting “applicable to the contract and in  
25 effect as of the date the reserve is determined”.

1           (3) *SPECIAL RULES.*—Section 807(e) is amend-  
2     ed—

3           (A) *by striking paragraphs (2) and (5),*

4           (B) *by redesignating paragraphs (3), (4),*  
5     *(6), and (7) as paragraphs (2), (3), (4), and (5),*  
6     *respectively,*

7           (C) *by amending paragraph (2) (as so re-*  
8     *designated) to read as follows:*

9     “(2) *QUALIFIED SUPPLEMENTAL BENEFITS.*—

10           “(A) *QUALIFIED SUPPLEMENTAL BENEFITS*  
11     *TREATED SEPARATELY.*—*For purposes of this*  
12     *part, the amount of the life insurance reserve for*  
13     *any qualified supplemental benefit shall be com-*  
14     *puted separately as though such benefit were*  
15     *under a separate contract.*

16           “(B) *QUALIFIED SUPPLEMENTAL BEN-*  
17     *EFIT.*—*For purposes of this paragraph, the term*  
18     *‘qualified supplemental benefit’ means any sup-*  
19     *plemental benefit described in subparagraph (C)*  
20     *if—*

21           “(i) *there is a separately identified*  
22     *premium or charge for such benefit, and*

23           “(ii) *any net surrender value under the*  
24     *contract attributable to any other benefit is*  
25     *not available to fund such benefit.*

1           “(C) *SUPPLEMENTAL BENEFITS.*—For pur-  
2           poses of this paragraph, the supplemental bene-  
3           fits described in this subparagraph are any—

4                   “(i) *guaranteed insurability,*

5                   “(ii) *accidental death or disability*  
6           *benefit,*

7                   “(iii) *convertibility,*

8                   “(iv) *disability waiver benefit, or*

9                   “(v) *other benefit prescribed by regula-*  
10          *tions,*

11          *which is supplemental to a contract for which*  
12          *there is a reserve described in subsection (c).”,*  
13          *and*

14          (D) *by adding at the end the following new*  
15          *paragraph:*

16               “(6) *REPORTING RULES.*—The Secretary shall  
17          *require reporting (at such time and in such manner*  
18          *as the Secretary shall prescribe) with respect to the*  
19          *opening balance and closing balance of reserves and*  
20          *with respect to the method of computing reserves for*  
21          *purposes of determining income.”.*

22               (4) *DEFINITION OF LIFE INSURANCE CON-*  
23          *TRACT.*—Section 7702 is amended—

24                   (A) *by striking clause (i) of subsection*  
25          *(c)(3)(B) and inserting the following:*

1           “(i) reasonable mortality charges  
2           which meet the requirements prescribed in  
3           regulations to be promulgated by the Sec-  
4           retary or that do not exceed the mortality  
5           charges specified in the prevailing commis-  
6           sioners’ standard tables as defined in sub-  
7           section (f)(10),” and

8           (B) by adding at the end of subsection (f)  
9           the following new paragraph:

10           “(10) *PREVAILING COMMISSIONERS’ STANDARD*  
11           *TABLES.*—For purposes of subsection (c)(3)(B)(i), the  
12           term ‘prevailing commissioners’ standard tables’  
13           means the most recent commissioners’ standard tables  
14           prescribed by the National Association of Insurance  
15           Commissioners which are permitted to be used in  
16           computing reserves for that type of contract under the  
17           insurance laws of at least 26 States when the contract  
18           was issued. If the prevailing commissioners’ standard  
19           tables as of the beginning of any calendar year (here-  
20           inafter in this paragraph referred to as the ‘year of  
21           change’) are different from the prevailing commis-  
22           sioners’ standard tables as of the beginning of the pre-  
23           ceding calendar year, the issuer may use the pre-  
24           vailing commissioners’ standard tables as of the be-  
25           ginning of the preceding calendar year with respect to

1     *any contract issued after the change and before the*  
2     *close of the 3-year period beginning on the first day*  
3     *of the year of change.”.*

4     **(b) CONFORMING AMENDMENTS.—**

5             *(1) Section 808 is amended by adding at the end*  
6     *the following new subsection:*

7             **“(g) PREVAILING STATE ASSUMED INTEREST RATE.—**

8     *For purposes of this subchapter—*

9             **“(1) IN GENERAL.—***The term ‘prevailing State*  
10     *assumed interest rate’ means, with respect to any con-*  
11     *tract, the highest assumed interest rate permitted to*  
12     *be used in computing life insurance reserves for in-*  
13     *surance contracts or annuity contracts (as the case*  
14     *may be) under the insurance laws of at least 26*  
15     *States. For purposes of the preceding sentence, the ef-*  
16     *fect of nonforfeiture laws of a State on interest rates*  
17     *for reserves shall not be taken into account.*

18             **“(2) WHEN RATE DETERMINED.—***The prevailing*  
19     *State assumed interest rate with respect to any con-*  
20     *tract shall be determined as of the beginning of the*  
21     *calendar year in which the contract was issued.”.*

22             *(2) Paragraph (1) of section 811(d) is amended*  
23     *by striking “the greater of the prevailing State as-*  
24     *sumed interest rate or applicable Federal interest rate*



1 *in effect under section 807” and inserting “the inter-*  
2 *est rate in effect under section 808(g)”.*

3 (3) *Subparagraph (A) of section 846(f)(6) is*  
4 *amended by striking “except that” and all that fol-*  
5 *lows and inserting “except that the limitation of sub-*  
6 *section (a)(3) shall apply, and”.*

7 (4) *Section 848(e)(1)(B)(iii) is amended by*  
8 *striking “807(e)(4)” and inserting “807(e)(3)”.*

9 (5) *Subparagraph (B) of section 954(i)(5) is*  
10 *amended by striking “shall be substituted for the pre-*  
11 *vailing State assumed interest rate,” and inserting*  
12 *“shall apply,”.*

13 (c) *EFFECTIVE DATE.—*

14 (1) *IN GENERAL.—The amendments made by*  
15 *this section shall apply to taxable years beginning*  
16 *after December 31, 2017.*

17 (2) *TRANSITION RULE.—For the first taxable*  
18 *year beginning after December 31, 2017, the reserve*  
19 *with respect to any contract (as determined under*  
20 *section 807(d) of the Internal Revenue Code of 1986)*  
21 *at the end of the preceding taxable year shall be deter-*  
22 *mined as if the amendments made by this section had*  
23 *applied to such reserve in such preceding taxable*  
24 *year.*

25 (3) *TRANSITION RELIEF.—*

1 (A) *IN GENERAL.—If—*

2 (i) *the reserve determined under section*  
3 *807(d) of the Internal Revenue Code of 1986*  
4 *(determined after application of paragraph*  
5 *(2)) with respect to any contract as of the*  
6 *close of the year preceding the first taxable*  
7 *year beginning after December 31, 2017,*  
8 *differs from*

9 (ii) *the reserve which would have been*  
10 *determined with respect to such contract as*  
11 *of the close of such taxable year under such*  
12 *section determined without regard to para-*  
13 *graph (2),*

14 *then the difference between the amount of the re-*  
15 *serve described in clause (i) and the amount of*  
16 *the reserve described in clause (ii) shall be taken*  
17 *into account under the method provided in sub-*  
18 *paragraph (B).*

19 (B) *METHOD.—The method provided in this*  
20 *subparagraph is as follows:*

21 (i) *If the amount determined under*  
22 *subparagraph (A)(i) exceeds the amount de-*  
23 *termined under subparagraph (A)(ii), 1/8 of*  
24 *such excess shall be taken into account, for*  
25 *each of the 8 succeeding taxable years, as a*

1           *deduction under section 805(a)(2) or*  
2           *832(c)(4) of such Code, as applicable.*

3           *(ii) If the amount determined under*  
4           *subparagraph (A)(ii) exceeds the amount*  
5           *determined under subparagraph (A)(i), 1/8*  
6           *of such excess shall be included in gross in-*  
7           *come, for each of the 8 succeeding taxable*  
8           *years, under section 803(a)(2) or*  
9           *832(b)(1)(C) of such Code, as applicable.*

10 **SEC. 13518. MODIFICATION OF RULES FOR LIFE INSURANCE**  
11           **PRORATION FOR PURPOSES OF DETER-**  
12           **MINING THE DIVIDENDS RECEIVED DEDUC-**  
13           **TION.**

14           *(a) IN GENERAL.—Section 812 is amended to read as*  
15           *follows:*

16 **“SEC. 812. DEFINITION OF COMPANY’S SHARE AND POLICY-**  
17           **HOLDER’S SHARE.**

18           *“(a) COMPANY’S SHARE.—For purposes of section*  
19           *805(a)(4), the term ‘company’s share’ means, with respect*  
20           *to any taxable year beginning after December 31, 2017, 70*  
21           *percent.*

22           *“(b) POLICYHOLDER’S SHARE.—For purposes of sec-*  
23           *tion 807, the term ‘policyholder’s share’ means, with respect*  
24           *to any taxable year beginning after December 31, 2017, 30*  
25           *percent.”.*

1       (b) *CONFORMING AMENDMENT.*—Section 817A(e)(2) is  
 2 amended by striking “, 807(d)(2)(B), and 812” and insert-  
 3 ing “and 807(d)(2)(B)”.

4       (c) *EFFECTIVE DATE.*—The amendments made by this  
 5 section shall apply to taxable years beginning after Decem-  
 6 ber 31, 2017.

7 **SEC. 13519. CAPITALIZATION OF CERTAIN POLICY ACQUISI-**  
 8 **TION EXPENSES.**

9       (a) *IN GENERAL.*—

10           (1) Section 848(a)(2) is amended by striking  
 11 “120-month” and inserting “180-month”.

12           (2) Section 848(c)(1) is amended by striking  
 13 “1.75 percent” and inserting “2.09 percent”.

14           (3) Section 848(c)(2) is amended by striking  
 15 “2.05 percent” and inserting “2.45 percent”.

16           (4) Section 848(c)(3) is amended by striking  
 17 “7.7 percent” and inserting “9.2 percent”.

18       (b) *CONFORMING AMENDMENTS.*—Section 848(b)(1) is  
 19 amended by striking “120-month” and inserting “180-  
 20 month”.

21       (c) *EFFECTIVE DATE.*—

22           (1) *IN GENERAL.*—The amendments made by  
 23 this section shall apply to net premiums for taxable  
 24 years beginning after December 31, 2017.

1           (2) *TRANSITION RULE.*—Specified policy acqui-  
 2           sition expenses first required to be capitalized in a  
 3           taxable year beginning before January 1, 2018, will  
 4           continue to be allowed as a deduction ratably over the  
 5           120-month period beginning with the first month in  
 6           the second half of such taxable year.

7   **SEC. 13520. TAX REPORTING FOR LIFE SETTLEMENT TRANS-**  
 8                                   **ACTIONS.**

9           (a) *IN GENERAL.*—Subpart B of part III of subchapter  
 10 *A* of chapter 61, as amended by section 13306, is amended  
 11 by adding at the end the following new section:

12   **“SEC. 6050Y. RETURNS RELATING TO CERTAIN LIFE INSUR-**  
 13                                   **ANCE CONTRACT TRANSACTIONS.**

14           “(a) *REQUIREMENT OF REPORTING OF CERTAIN PAY-*  
 15 *MENTS.*—

16                   “(1) *IN GENERAL.*—Every person who acquires a  
 17           life insurance contract or any interest in a life insur-  
 18           ance contract in a reportable policy sale during any  
 19           taxable year shall make a return for such taxable year  
 20           (at such time and in such manner as the Secretary  
 21           shall prescribe) setting forth—

22                           “(A) the name, address, and TIN of such  
 23           person,

24                           “(B) the name, address, and TIN of each re-  
 25           cipient of payment in the reportable policy sale,

1           “(C) the date of such sale,

2           “(D) the name of the issuer of the life insur-  
3           ance contract sold and the policy number of such  
4           contract, and

5           “(E) the amount of each payment.

6           “(2) STATEMENT TO BE FURNISHED TO PERSONS  
7           WITH RESPECT TO WHOM INFORMATION IS RE-  
8           QUIRED.—Every person required to make a return  
9           under this subsection shall furnish to each person  
10          whose name is required to be set forth in such return  
11          a written statement showing—

12           “(A) the name, address, and phone number  
13           of the information contact of the person required  
14           to make such return, and

15           “(B) the information required to be shown  
16           on such return with respect to such person, ex-  
17           cept that in the case of an issuer of a life insur-  
18           ance contract, such statement is not required to  
19           include the information specified in paragraph  
20           (1)(E).

21          “(b) REQUIREMENT OF REPORTING OF SELLER’S  
22          BASIS IN LIFE INSURANCE CONTRACTS.—

23           “(1) IN GENERAL.—Upon receipt of the state-  
24           ment required under subsection (a)(2) or upon notice  
25           of a transfer of a life insurance contract to a foreign

1     *person, each issuer of a life insurance contract shall*  
2     *make a return (at such time and in such manner as*  
3     *the Secretary shall prescribe) setting forth—*

4             *“(A) the name, address, and TIN of the sell-*  
5             *er who transfers any interest in such contract in*  
6             *such sale,*

7             *“(B) the investment in the contract (as de-*  
8             *fined in section 72(e)(6)) with respect to such*  
9             *seller, and*

10            *“(C) the policy number of such contract.*

11            *“(2) STATEMENT TO BE FURNISHED TO PERSONS*  
12     *WITH RESPECT TO WHOM INFORMATION IS RE-*  
13     *QUIRED.—Every person required to make a return*  
14     *under this subsection shall furnish to each person*  
15     *whose name is required to be set forth in such return*  
16     *a written statement showing—*

17            *“(A) the name, address, and phone number*  
18            *of the information contact of the person required*  
19            *to make such return, and*

20            *“(B) the information required to be shown*  
21            *on such return with respect to each seller whose*  
22            *name is required to be set forth in such return.*

23            *“(c) REQUIREMENT OF REPORTING WITH RESPECT TO*  
24     *REPORTABLE DEATH BENEFITS.—*

1           “(1) *IN GENERAL.*—Every person who makes a  
2           *payment of reportable death benefits during any tax-*  
3           *able year shall make a return for such taxable year*  
4           *(at such time and in such manner as the Secretary*  
5           *shall prescribe) setting forth—*

6                   “(A) *the name, address, and TIN of the per-*  
7                   *son making such payment,*

8                   “(B) *the name, address, and TIN of each re-*  
9                   *cipient of such payment,*

10                   “(C) *the date of each such payment,*

11                   “(D) *the gross amount of each such pay-*  
12                   *ment, and*

13                   “(E) *such person’s estimate of the invest-*  
14                   *ment in the contract (as defined in section*  
15                   *72(e)(6)) with respect to the buyer.*

16           “(2) *STATEMENT TO BE FURNISHED TO PERSONS*  
17           *WITH RESPECT TO WHOM INFORMATION IS RE-*  
18           *QUIRED.*—Every person required to make a return  
19           *under this subsection shall furnish to each person*  
20           *whose name is required to be set forth in such return*  
21           *a written statement showing—*

22                   “(A) *the name, address, and phone number*  
23                   *of the information contact of the person required*  
24                   *to make such return, and*



1           “(B) the information required to be shown  
2           on such return with respect to each recipient of  
3           payment whose name is required to be set forth  
4           in such return.

5           “(d) DEFINITIONS.—For purposes of this section:

6           “(1) PAYMENT.—The term ‘payment’ means,  
7           with respect to any reportable policy sale, the amount  
8           of cash and the fair market value of any consider-  
9           ation transferred in the sale.

10           “(2) REPORTABLE POLICY SALE.—The term ‘re-  
11           portable policy sale’ has the meaning given such term  
12           in section 101(a)(3)(B).

13           “(3) ISSUER.—The term ‘issuer’ means any life  
14           insurance company that bears the risk with respect to  
15           a life insurance contract on the date any return or  
16           statement is required to be made under this section.

17           “(4) REPORTABLE DEATH BENEFITS.—The term  
18           ‘reportable death benefits’ means amounts paid by  
19           reason of the death of the insured under a life insur-  
20           ance contract that has been transferred in a report-  
21           able policy sale.”.

22           (b) CLERICAL AMENDMENT.—The table of sections for  
23           subpart B of part III of subchapter A of chapter 61, as  
24           amended by section 13306, is amended by inserting after  
25           the item relating to section 6050X the following new item:

“Sec. 6050Y. Returns relating to certain life insurance contract transactions.”.

1       (c) *CONFORMING AMENDMENTS.*—

2           (1) *Subsection (d) of section 6724 is amended—*

3               (A) *by striking “or” at the end of clause*  
4               *(xxiv) of paragraph (1)(B), by striking “and” at*  
5               *the end of clause (xxv) of such paragraph and*  
6               *inserting “or”, and by inserting after such clause*  
7               *(xxv) the following new clause:*

8                       *“(xxvi) section 6050Y (relating to re-*  
9                       *turns relating to certain life insurance con-*  
10                      *tract transactions), and”, and*

11               (B) *by striking “or” at the end of subpara-*  
12               *graph (HH) of paragraph (2), by striking the*  
13               *period at the end of subparagraph (II) of such*  
14               *paragraph and inserting “, or”, and by insert-*  
15               *ing after such subparagraph (II) the following*  
16               *new subparagraph:*

17                       *“(JJ) subsection (a)(2), (b)(2), or (c)(2) of*  
18                       *section 6050Y (relating to returns relating to*  
19                       *certain life insurance contract transactions).”.*

20           (2) *Section 6047 is amended—*

21               (A) *by redesignating subsection (g) as sub-*  
22               *section (h),*

23               (B) *by inserting after subsection (f) the fol-*  
24               *lowing new subsection:*

1       “(g) *INFORMATION RELATING TO LIFE INSURANCE*  
 2 *CONTRACT TRANSACTIONS.*—*This section shall not apply to*  
 3 *any information which is required to be reported under sec-*  
 4 *tion 6050Y.”, and*

5                   (C) *by adding at the end of subsection (h),*  
 6                   *as so redesignated, the following new paragraph:*

7                   “(4) *For provisions requiring reporting of infor-*  
 8 *mation relating to certain life insurance contract*  
 9 *transactions, see section 6050Y.”.*

10       (d) *EFFECTIVE DATE.*—*The amendments made by this*  
 11 *section shall apply to—*

12                   (1) *reportable policy sales (as defined in section*  
 13 *6050Y(d)(2) of the Internal Revenue Code of 1986 (as*  
 14 *added by subsection (a)) after December 31, 2017,*  
 15 *and*

16                   (2) *reportable death benefits (as defined in sec-*  
 17 *tion 6050Y(d)(4) of such Code (as added by subsection*  
 18 *(a)) paid after December 31, 2017.*

19 **SEC. 13521. CLARIFICATION OF TAX BASIS OF LIFE INSUR-**  
 20 **ANCE CONTRACTS.**

21       (a) *CLARIFICATION WITH RESPECT TO ADJUST-*  
 22 *MENTS.*—*Paragraph (1) of section 1016(a) is amended by*  
 23 *striking subparagraph (A) and all that follows and insert-*  
 24 *ing the following:*

25                   “(A) *for—*

1                   “(i) taxes or other carrying charges de-  
2                   scribed in section 266; or

3                   “(ii) expenditures described in section  
4                   173 (relating to circulation expenditures),  
5                   for which deductions have been taken by the tax-  
6                   payer in determining taxable income for the tax-  
7                   able year or prior taxable years; or

8                   “(B) for mortality, expense, or other reason-  
9                   able charges incurred under an annuity or life  
10                  insurance contract;”.

11               (b) *EFFECTIVE DATE.*—The amendment made by this  
12 section shall apply to transactions entered into after August  
13 25, 2009.

14 **SEC. 13522. EXCEPTION TO TRANSFER FOR VALUABLE CON-**  
15 **SIDERATION RULES.**

16               (a) *IN GENERAL.*—Subsection (a) of section 101 is  
17 amended by inserting after paragraph (2) the following new  
18 paragraph:

19                   “(3) *EXCEPTION TO VALUABLE CONSIDERATION*  
20 *RULES FOR COMMERCIAL TRANSFERS.*—

21                   “(A) *IN GENERAL.*—The second sentence of  
22 paragraph (2) shall not apply in the case of a  
23 transfer of a life insurance contract, or any in-  
24 terest therein, which is a reportable policy sale.

1           “(B) *REPORTABLE POLICY SALE.*—For pur-  
2           poses of this paragraph, the term ‘reportable pol-  
3           icy sale’ means the acquisition of an interest in  
4           a life insurance contract, directly or indirectly,  
5           if the acquirer has no substantial family, busi-  
6           ness, or financial relationship with the insured  
7           apart from the acquirer’s interest in such life in-  
8           surance contract. For purposes of the preceding  
9           sentence, the term ‘indirectly’ applies to the ac-  
10          quisition of an interest in a partnership, trust,  
11          or other entity that holds an interest in the life  
12          insurance contract.”.

13          (b) *CONFORMING AMENDMENT.*—Paragraph (1) of sec-  
14          tion 101(a) is amended by striking “paragraph (2)” and  
15          inserting “paragraphs (2) and (3)”.

16          (c) *EFFECTIVE DATE.*—The amendments made by this  
17          section shall apply to transfers after December 31, 2017.

18          **SEC. 13523. MODIFICATION OF DISCOUNTING RULES FOR**  
19                                **PROPERTY AND CASUALTY INSURANCE COM-**  
20                                **PANIES.**

21          (a) *MODIFICATION OF RATE OF INTEREST USED TO*  
22          *DISCOUNT UNPAID LOSSES.*—Paragraph (2) of section  
23          846(c) is amended to read as follows:

24                       “(2) *DETERMINATION OF ANNUAL RATE.*—The  
25          annual rate determined by the Secretary under this

1 paragraph for any calendar year shall be a rate de-  
 2 termined on the basis of the corporate bond yield  
 3 curve (as defined in section 430(h)(2)(D)(i), deter-  
 4 mined by substituting ‘60-month period’ for ‘24-  
 5 month period’ therein).”.

6 (b) *MODIFICATION OF COMPUTATIONAL RULES FOR*  
 7 *LOSS PAYMENT PATTERNS.*—Section 846(d)(3) is amended  
 8 by striking subparagraphs (B) through (G) and inserting  
 9 the following new subparagraph:

10 “(B) *TREATMENT OF CERTAIN LOSSES.*—

11 “(i) *3-YEAR LOSS PAYMENT PAT-*  
 12 *TERN.*—In the case of any line of business  
 13 not described in subparagraph (A)(ii), losses  
 14 paid after the 1st year following the acci-  
 15 dent year shall be treated as paid equally in  
 16 the 2nd and 3rd year following the accident  
 17 year.

18 “(ii) *10-YEAR LOSS PAYMENT PAT-*  
 19 *TERN.*—

20 “(I) *IN GENERAL.*—The period  
 21 taken into account under subpara-  
 22 graph (A)(ii) shall be extended to the  
 23 extent required under subclause (II).

24 “(II) *COMPUTATION OF EXTEN-*  
 25 *SION.*—The amount of losses which

1                   *would have been treated as paid in the*  
2                   *10th year after the accident year shall*  
3                   *be treated as paid in such 10th year*  
4                   *and each subsequent year in an*  
5                   *amount equal to the amount of the av-*  
6                   *erage of the losses treated as paid in*  
7                   *the 7th, 8th, and 9th years after the ac-*  
8                   *cident year (or, if lesser, the portion of*  
9                   *the unpaid losses not theretofore taken*  
10                  *into account). To the extent such un-*  
11                  *paid losses have not been treated as*  
12                  *paid before the 24th year after the ac-*  
13                  *cident year, they shall be treated as*  
14                  *paid in such 24th year.”.*

15           (c) *REPEAL OF HISTORICAL PAYMENT PATTERN*  
16 *ELECTION.*—*Section 846, as amended by this Act, is*  
17 *amended by striking subsection (e) and by redesignating*  
18 *subsections (f) and (g) as subsections (e) and (f), respec-*  
19 *tively.*

20           (d) *EFFECTIVE DATE.*—*The amendments made by this*  
21 *section shall apply to taxable years beginning after Decem-*  
22 *ber 31, 2017.*

23           (e) *TRANSITIONAL RULE.*—*For the first taxable year*  
24 *beginning after December 31, 2017—*

1           (1) *the unpaid losses and the expenses unpaid*  
2           *(as defined in paragraphs (5)(B) and (6) of section*  
3           *832(b) of the Internal Revenue Code of 1986) at the*  
4           *end of the preceding taxable year, and*

5           (2) *the unpaid losses as defined in sections*  
6           *807(c)(2) and 805(a)(1) of such Code at the end of the*  
7           *preceding taxable year,*

8 *shall be determined as if the amendments made by this sec-*  
9 *tion had applied to such unpaid losses and expenses unpaid*  
10 *in the preceding taxable year and by using the interest rate*  
11 *and loss payment patterns applicable to accident years end-*  
12 *ing with calendar year 2018, and any adjustment shall be*  
13 *taken into account ratably in such first taxable year and*  
14 *the 7 succeeding taxable years. For subsequent taxable*  
15 *years, such amendments shall be applied with respect to*  
16 *such unpaid losses and expenses unpaid by using the inter-*  
17 *est rate and loss payment patterns applicable to accident*  
18 *years ending with calendar year 2018.*

19           ***Subpart C—Banks and Financial Instruments***

20           ***SEC. 13531. LIMITATION ON DEDUCTION FOR FDIC PRE-***  
21           ***MIUMS.***

22           (a) *IN GENERAL.*—*Section 162, as amended by sec-*  
23 *tions 13307, is amended by redesignating subsection (r) as*  
24 *subsection (s) and by inserting after subsection (q) the fol-*  
25 *lowing new subsection:*



1       “(r) *DISALLOWANCE OF FDIC PREMIUMS PAID BY*  
2 *CERTAIN LARGE FINANCIAL INSTITUTIONS.*—

3           “(1) *IN GENERAL.*—*No deduction shall be al-*  
4 *lowed for the applicable percentage of any FDIC pre-*  
5 *mium paid or incurred by the taxpayer.*

6           “(2) *EXCEPTION FOR SMALL INSTITUTIONS.*—  
7 *Paragraph (1) shall not apply to any taxpayer for*  
8 *any taxable year if the total consolidated assets of*  
9 *such taxpayer (determined as of the close of such tax-*  
10 *able year) do not exceed \$10,000,000,000.*

11           “(3) *APPLICABLE PERCENTAGE.*—*For purposes*  
12 *of this subsection, the term ‘applicable percentage’*  
13 *means, with respect to any taxpayer for any taxable*  
14 *year, the ratio (expressed as a percentage but not*  
15 *greater than 100 percent) which—*

16           “(A) *the excess of—*

17           “(i) *the total consolidated assets of*  
18 *such taxpayer (determined as of the close of*  
19 *such taxable year), over*

20           “(ii) *\$10,000,000,000, bears to*

21           “(B) *\$40,000,000,000.*

22           “(4) *FDIC PREMIUMS.*—*For purposes of this*  
23 *subsection, the term ‘FDIC premium’ means any as-*  
24 *essment imposed under section 7(b) of the Federal*  
25 *Deposit Insurance Act (12 U.S.C. 1817(b)).*

1           “(5) *TOTAL CONSOLIDATED ASSETS.*—For pur-  
2           poses of this subsection, the term ‘total consolidated  
3           assets’ has the meaning given such term under section  
4           165 of the Dodd-Frank Wall Street Reform and Con-  
5           sumer Protection Act (12 U.S.C. 5365).

6           “(6) *AGGREGATION RULE.*—

7           “(A) *IN GENERAL.*—Members of an ex-  
8           panded affiliated group shall be treated as a sin-  
9           gle taxpayer for purposes of applying this sub-  
10          section.

11          “(B) *EXPANDED AFFILIATED GROUP.*—

12          “(i) *IN GENERAL.*—For purposes of  
13          this paragraph, the term ‘expanded affili-  
14          ated group’ means an affiliated group as  
15          defined in section 1504(a), determined—

16                  “(I) by substituting ‘more than 50  
17                  percent’ for ‘at least 80 percent’ each  
18                  place it appears, and

19                  “(II) without regard to para-  
20                  graphs (2) and (3) of section 1504(b).

21          “(ii) *CONTROL OF NON-CORPORATE EN-*  
22          *TITIES.*—A partnership or any other entity  
23          (other than a corporation) shall be treated  
24          as a member of an expanded affiliated  
25          group if such entity is controlled (within

1           the meaning of section 954(d)(3)) by mem-  
2           bers of such group (including any entity  
3           treated as a member of such group by rea-  
4           son of this clause).”.

5           (b) *EFFECTIVE DATE.*—The amendments made by this  
6 section shall apply to taxable years beginning after Decem-  
7 ber 31, 2017.

8 **SEC. 13532. REPEAL OF ADVANCE REFUNDING BONDS.**

9           (a) *IN GENERAL.*—Paragraph (1) of section 149(d) is  
10 amended by striking “as part of an issue described in para-  
11 graph (2), (3), or (4).” and inserting “to advance refund  
12 another bond.”.

13           (b) *CONFORMING AMENDMENTS.*—

14                 (1) Section 149(d) is amended by striking para-  
15 graphs (2), (3), (4), and (6) and by redesignating  
16 paragraphs (5) and (7) as paragraphs (2) and (3).

17                 (2) Section 148(f)(4)(C) is amended by striking  
18 clause (xiv) and by redesignating clauses (xv) to  
19 (xvii) as clauses (xiv) to (xvi).

20           (c) *EFFECTIVE DATE.*—The amendments made by this  
21 section shall apply to advance refunding bonds issued after  
22 December 31, 2017.

1                   **Subpart D—S Corporations**

2   **SEC. 13541. EXPANSION OF QUALIFYING BENEFICIARIES OF**  
3                   **AN ELECTING SMALL BUSINESS TRUST.**

4       (a) *NO LOOK-THROUGH FOR ELIGIBILITY PURPOSES.*—Section 1361(c)(2)(B)(v) is amended by adding at  
5   the end the following new sentence: “This clause shall not  
6   apply for purposes of subsection (b)(1)(C).”

7       (b) *EFFECTIVE DATE.*—The amendment made by this  
8   section shall take effect on January 1, 2018.

9                   **SEC. 13542. CHARITABLE CONTRIBUTION DEDUCTION FOR**  
10                   **ELECTING SMALL BUSINESS TRUSTS.**

11       (a) *IN GENERAL.*—Section 641(c)(2) is amended by  
12   inserting after subparagraph (D) the following new sub-  
13   paragraph:  
14   paragraph:

15                   “(E)(i) Section 642(c) shall not apply.

16                   “(ii) For purposes of section 170(b)(1)(G),  
17   adjusted gross income shall be computed in the  
18   same manner as in the case of an individual, ex-  
19   cept that the deductions for costs which are paid  
20   or incurred in connection with the administra-  
21   tion of the trust and which would not have been  
22   incurred if the property were not held in such  
23   trust shall be treated as allowable in arriving at  
24   adjusted gross income.”

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 2 *section shall apply to taxable years beginning after Decem-*  
 3 *ber 31, 2017.*

4 **SEC. 13543. MODIFICATION OF TREATMENT OF S CORPORA-**  
 5 **TION CONVERSIONS TO C CORPORATIONS.**

6       (a) *ADJUSTMENTS ATTRIBUTABLE TO CONVERSION*  
 7 *FROM S CORPORATION TO C CORPORATION.*—*Section 481*  
 8 *is amended by adding at the end the following new sub-*  
 9 *section:*

10       “(d) *ADJUSTMENTS ATTRIBUTABLE TO CONVERSION*  
 11 *FROM S CORPORATION TO C CORPORATION.*—

12               “(1) *IN GENERAL.*—*In the case of an eligible ter-*  
 13 *minated S corporation, any adjustment required by*  
 14 *subsection (a)(2) which is attributable to such cor-*  
 15 *poration’s revocation described in paragraph*  
 16 *(2)(A)(ii) shall be taken into account ratably during*  
 17 *the 6-taxable year period beginning with the year of*  
 18 *change.*

19               “(2) *ELIGIBLE TERMINATED S CORPORATION.*—  
 20 *For purposes of this subsection, the term ‘eligible ter-*  
 21 *minated S corporation’ means any C corporation—*

22                       “(A) *which—*

23                               “(i) *was an S corporation on the day*  
 24 *before the date of the enactment of the Tax*  
 25 *Cuts and Jobs Act, and*

1                   “(ii) during the 2-year period begin-  
2                   ning on the date of such enactment makes  
3                   a revocation of its election under section  
4                   1362(a), and

5                   “(B) the owners of the stock of which, deter-  
6                   mined on the date such revocation is made, are  
7                   the same owners (and in identical proportions)  
8                   as on the date of such enactment.”.

9           (b) *CASH DISTRIBUTIONS FOLLOWING POST-TERMI-*  
10 *NATION TRANSITION PERIOD FROM S CORPORATION STA-*  
11 *TUS.*—Section 1371 is amended by adding at the end the  
12 *following new subsection:*

13           “(f) *CASH DISTRIBUTIONS FOLLOWING POST-TERMI-*  
14 *NATION TRANSITION PERIOD.*—*In the case of a distribution*  
15 *of money by an eligible terminated S corporation (as de-*  
16 *finied in section 481(d)) after the post-termination transi-*  
17 *tion period, the accumulated adjustments account shall be*  
18 *allocated to such distribution, and the distribution shall be*  
19 *chargeable to accumulated earnings and profits, in the same*  
20 *ratio as the amount of such accumulated adjustments ac-*  
21 *count bears to the amount of such accumulated earnings*  
22 *and profits.”.*

1                   **PART VII—EMPLOYMENT**

2                   **Subpart A—Compensation**

3   **SEC. 13601. MODIFICATION OF LIMITATION ON EXCESSIVE**  
4                   **EMPLOYEE REMUNERATION.**

5           (a) *REPEAL OF PERFORMANCE-BASED COMPENSATION*  
6 *AND COMMISSION EXCEPTIONS FOR LIMITATION ON EXCES-*  
7 *SIVE EMPLOYEE REMUNERATION.—*

8                   (1) *IN GENERAL.—Paragraph (4) of section*  
9 *162(m) is amended by striking subparagraphs (B)*  
10 *and (C) and by redesignating subparagraphs (D),*  
11 *(E), (F), and (G) as subparagraphs (B), (C), (D),*  
12 *and (E), respectively.*

13                   (2) *CONFORMING AMENDMENTS.—*

14                   (A) *Paragraphs (5)(E) and (6)(D) of sec-*  
15 *tion 162(m) are each amended by striking “sub-*  
16 *paragraphs (B), (C), and (D)” and inserting*  
17 *“subparagraph (B)”.*

18                   (B) *Paragraphs (5)(G) and (6)(G) of sec-*  
19 *tion 162(m) are each amended by striking “(F)*  
20 *and (G)” and inserting “(D) and (E)”.*

21           (b) *MODIFICATION OF DEFINITION OF COVERED EM-*  
22 *PLOYEES.—Paragraph (3) of section 162(m) is amended—*

23                   (1) *in subparagraph (A), by striking “as of the*  
24 *close of the taxable year, such employee is the chief ex-*  
25 *ecutive officer of the taxpayer or is” and inserting*  
26 *“such employee is the principal executive officer or*

1 *principal financial officer of the taxpayer at any*  
2 *time during the taxable year, or was”,*

3 *(2) in subparagraph (B)—*

4 *(A) by striking “4” and inserting “3”, and*

5 *(B) by striking “(other than the chief execu-*  
6 *tive officer)” and inserting “(other than any in-*  
7 *dividual described in subparagraph (A))”, and*

8 *(3) by striking “or” at the end of subparagraph*  
9 *(A), by striking the period at the end of subparagraph*  
10 *(B) and inserting “, or”, and by adding at the end*  
11 *the following:*

12 *“(C) was a covered employee of the taxpayer*  
13 *(or any predecessor) for any preceding taxable*  
14 *year beginning after December 31, 2016.”.*

15 *(c) EXPANSION OF APPLICABLE EMPLOYER.—*

16 *(1) IN GENERAL.—Section 162(m)(2) is amended*  
17 *to read as follows:*

18 *“(2) PUBLICLY HELD CORPORATION.—For pur-*  
19 *poses of this subsection, the term ‘publicly held cor-*  
20 *poration’ means any corporation which is an issuer*  
21 *(as defined in section 3 of the Securities Exchange*  
22 *Act of 1934 (15 U.S.C. 78c))—*

23 *“(A) the securities of which are required to*  
24 *be registered under section 12 of such Act (15*  
25 *U.S.C. 78l), or*



1           “(B) that is required to file reports under  
2           section 15(d) of such Act (15 U.S.C. 78o(d)).”.

3           (2)       CONFORMING       AMENDMENT.—Section  
4           162(m)(3), as amended by subsection (b), is amended  
5           by adding at the end the following flush sentence:

6           “Such term shall include any employee who  
7           would be described in subparagraph (B) if the report-  
8           ing described in such subparagraph were required as  
9           so described.”.

10          (d) SPECIAL RULE FOR REMUNERATION PAID TO  
11        BENEFICIARIES, ETC.—Paragraph (4) of section 162(m), as  
12        amended by subsection (a), is amended by adding at the  
13        end the following new subparagraph:

14               “(F) SPECIAL RULE FOR REMUNERATION  
15               PAID TO BENEFICIARIES, ETC.—Remuneration  
16               shall not fail to be applicable employee remu-  
17               neration merely because it is includible in the  
18               income of, or paid to, a person other than the  
19               covered employee, including after the death of the  
20               covered employee.”.

21          (e) EFFECTIVE DATE.—

22               (1) IN GENERAL.—Except as provided in para-  
23               graph (2), the amendments made by this section shall  
24               apply to taxable years beginning after December 31,  
25               2017.

1           (2) *EXCEPTION FOR BINDING CONTRACTS.*—The  
 2           amendments made by this section shall not apply to  
 3           remuneration which is provided pursuant to a writ-  
 4           ten binding contract which was in effect on November  
 5           2, 2017, and which was not modified in any material  
 6           respect on or after such date.

7 **SEC. 13602. EXCISE TAX ON EXCESS TAX-EXEMPT ORGANI-**  
 8                                   **ZATION EXECUTIVE COMPENSATION.**

9           (a) *IN GENERAL.*—Subchapter D of chapter 42 is  
 10          amended by adding at the end the following new section:

11 **“SEC. 4960. TAX ON EXCESS TAX-EXEMPT ORGANIZATION**  
 12                                   **EXECUTIVE COMPENSATION.**

13          “(a) *TAX IMPOSED.*—There is hereby imposed a tax  
 14          equal to the product of the rate of tax under section 11 and  
 15          the sum of—

16                 “(1) so much of the remuneration paid (other  
 17                 than any excess parachute payment) by an applicable  
 18                 tax-exempt organization for the taxable year with re-  
 19                 spect to employment of any covered employee in ex-  
 20                 cess of \$1,000,000, plus

21                 “(2) any excess parachute payment paid by such  
 22                 an organization to any covered employee.

23          For purposes of the preceding sentence, remuneration shall  
 24          be treated as paid when there is no substantial risk of for-

1 *feiture (within the meaning of section 457(f)(3)(B)) of the*  
2 *rights to such remuneration.*

3 “(b) *LIABILITY FOR TAX.—The employer shall be liable*  
4 *for the tax imposed under subsection (a).*

5 “(c) *DEFINITIONS AND SPECIAL RULES.—For pur-*  
6 *poses of this section—*

7 “(1) *APPLICABLE TAX-EXEMPT ORGANIZATION.—*  
8 *The term ‘applicable tax-exempt organization’ means*  
9 *any organization which for the taxable year—*

10 “(A) *is exempt from taxation under section*  
11 *501(a),*

12 “(B) *is a farmers’ cooperative organization*  
13 *described in section 521(b)(1),*

14 “(C) *has income excluded from taxation*  
15 *under section 115(1), or*

16 “(D) *is a political organization described in*  
17 *section 527(e)(1).*

18 “(2) *COVERED EMPLOYEE.—For purposes of this*  
19 *section, the term ‘covered employee’ means any em-*  
20 *ployee (including any former employee) of an appli-*  
21 *cable tax-exempt organization if the employee—*

22 “(A) *is one of the 5 highest compensated*  
23 *employees of the organization for the taxable*  
24 *year, or*

1           “(B) *was a covered employee of the organi-*  
2           *zation (or any predecessor) for any preceding*  
3           *taxable year beginning after December 31, 2016.*

4           “(3) *REMUNERATION.—For purposes of this sec-*  
5           *tion:*

6           “(A) *IN GENERAL.—The term ‘remunera-*  
7           *tion’ means wages (as defined in section*  
8           *3401(a)), except that such term shall not include*  
9           *any designated Roth contribution (as defined in*  
10           *section 402A(c)) and shall include amounts re-*  
11           *quired to be included in gross income under sec-*  
12           *tion 457(f).*

13           “(B) *EXCEPTION FOR REMUNERATION FOR*  
14           *MEDICAL SERVICES.—The term ‘remuneration’*  
15           *shall not include the portion of any remunera-*  
16           *tion paid to a licensed medical professional (in-*  
17           *cluding a veterinarian) which is for the perform-*  
18           *ance of medical or veterinary services by such*  
19           *professional.*

20           “(4) *REMUNERATION FROM RELATED ORGANIZA-*  
21           *TIONS.—*

22           “(A) *IN GENERAL.—Remuneration of a cov-*  
23           *ered employee by an applicable tax-exempt orga-*  
24           *nization shall include any remuneration paid*

1           *with respect to employment of such employee by*  
2           *any related person or governmental entity.*

3           “(B) *RELATED ORGANIZATIONS.*—*A person*  
4           *or governmental entity shall be treated as related*  
5           *to an applicable tax-exempt organization if such*  
6           *person or governmental entity—*

7                     *“(i) controls, or is controlled by, the*  
8                     *organization,*

9                     *“(ii) is controlled by one or more per-*  
10                    *sons which control the organization,*

11                    *“(iii) is a supported organization (as*  
12                    *defined in section 509(f)(3)) during the tax-*  
13                    *able year with respect to the organization,*

14                    *“(iv) is a supporting organization de-*  
15                    *scribed in section 509(a)(3) during the tax-*  
16                    *able year with respect to the organization,*  
17                    *or*

18                    *“(v) in the case of an organization*  
19                    *which is a voluntary employees’ beneficiary*  
20                    *association described in section 501(c)(9),*  
21                    *establishes, maintains, or makes contribu-*  
22                    *tions to such voluntary employees’ bene-*  
23                    *ficiary association.*

24           “(C) *LIABILITY FOR TAX.*—*In any case in*  
25           *which remuneration from more than one em-*

1            *employer is taken into account under this para-*  
2            *graph in determining the tax imposed by sub-*  
3            *section (a), each such employer shall be liable for*  
4            *such tax in an amount which bears the same*  
5            *ratio to the total tax determined under sub-*  
6            *section (a) with respect to such remuneration*  
7            *as—*

8                    *“(i) the amount of remuneration paid*  
9                    *by such employer with respect to such em-*  
10                   *ployee, bears to*

11                   *“(ii) the amount of remuneration paid*  
12                   *by all such employers to such employee.*

13            *“(5) EXCESS PARACHUTE PAYMENT.—For pur-*  
14            *poses of determining the tax imposed by subsection*  
15            *(a)(2)—*

16                   *“(A) IN GENERAL.—The term ‘excess para-*  
17                   *chute payment’ means an amount equal to the*  
18                   *excess of any parachute payment over the por-*  
19                   *tion of the base amount allocated to such pay-*  
20                   *ment.*

21                   *“(B) PARACHUTE PAYMENT.—The term*  
22                   *‘parachute payment’ means any payment in the*  
23                   *nature of compensation to (or for the benefit of)*  
24                   *a covered employee if—*

1           “(i) such payment is contingent on  
2 such employee’s separation from employ-  
3 ment with the employer, and

4           “(ii) the aggregate present value of the  
5 payments in the nature of compensation to  
6 (or for the benefit of) such individual which  
7 are contingent on such separation equals or  
8 exceeds an amount equal to 3 times the base  
9 amount.

10          “(C) *EXCEPTION.*—Such term does not in-  
11 clude any payment—

12           “(i) described in section 280G(b)(6)  
13 (relating to exemption for payments under  
14 qualified plans),

15           “(ii) made under or to an annuity  
16 contract described in section 403(b) or a  
17 plan described in section 457(b),

18           “(iii) to a licensed medical professional  
19 (including a veterinarian) to the extent that  
20 such payment is for the performance of  
21 medical or veterinary services by such pro-  
22 fessional, or

23           “(iv) to an individual who is not a  
24 highly compensated employee as defined in  
25 section 414(q).

1           “(D) *BASE AMOUNT.*—Rules similar to the  
2           rules of 280G(b)(3) shall apply for purposes of  
3           determining the base amount.

4           “(E) *PROPERTY TRANSFERS; PRESENT*  
5           *VALUE.*—Rules similar to the rules of para-  
6           graphs (3) and (4) of section 280G(d) shall  
7           apply.

8           “(6) *COORDINATION WITH DEDUCTION LIMITA-*  
9           *TION.*—Remuneration the deduction for which is not  
10          allowed by reason of section 162(m) shall not be taken  
11          into account for purposes of this section.

12          “(d) *REGULATIONS.*—The Secretary shall prescribe  
13          such regulations as may be necessary to prevent avoidance  
14          of the tax under this section, including regulations to pre-  
15          vent avoidance of such tax through the performance of serv-  
16          ices other than as an employee or by providing compensa-  
17          tion through a pass-through or other entity to avoid such  
18          tax.”.

19          “(b) *CLERICAL AMENDMENT.*—The table of sections for  
20          subchapter D of chapter 42 is amended by adding at the  
21          end the following new item:

          “Sec. 4960. Tax on excess tax-exempt organization executive compensation.”.

22          “(c) *EFFECTIVE DATE.*—The amendments made by this  
23          section shall apply to taxable years beginning after Decem-  
24          ber 31, 2017.



1 **SEC. 13603. TREATMENT OF QUALIFIED EQUITY GRANTS.**

2 (a) *IN GENERAL.*—Section 83 is amended by adding  
3 at the end the following new subsection:

4 “(i) *QUALIFIED EQUITY GRANTS.*—

5 “(1) *IN GENERAL.*—For purposes of this sub-  
6 title—

7 “(A) *TIMING OF INCLUSION.*—If qualified  
8 stock is transferred to a qualified employee who  
9 makes an election with respect to such stock  
10 under this subsection, subsection (a) shall be ap-  
11 plied by including the amount determined under  
12 such subsection with respect to such stock in in-  
13 come of the employee in the taxable year deter-  
14 mined under subparagraph (B) in lieu of the  
15 taxable year described in subsection (a).

16 “(B) *TAXABLE YEAR DETERMINED.*—The  
17 taxable year determined under this subpara-  
18 graph is the taxable year of the employee which  
19 includes the earliest of—

20 “(i) the first date such qualified stock  
21 becomes transferable (including, solely for  
22 purposes of this clause, becoming transfer-  
23 able to the employer),

24 “(ii) the date the employee first be-  
25 comes an excluded employee,

1           “(iii) the first date on which any stock  
2           of the corporation which issued the qualified  
3           stock becomes readily tradable on an estab-  
4           lished securities market (as determined by  
5           the Secretary, but not including any market  
6           unless such market is recognized as an es-  
7           tablished securities market by the Secretary  
8           for purposes of a provision of this title other  
9           than this subsection),

10           “(iv) the date that is 5 years after the  
11           first date the rights of the employee in such  
12           stock are transferable or are not subject to  
13           a substantial risk of forfeiture, whichever  
14           occurs earlier, or

15           “(v) the date on which the employee re-  
16           vokes (at such time and in such manner as  
17           the Secretary provides) the election under  
18           this subsection with respect to such stock.

19           “(2) QUALIFIED STOCK.—

20           “(A) IN GENERAL.—For purposes of this  
21           subsection, the term ‘qualified stock’ means, with  
22           respect to any qualified employee, any stock in  
23           a corporation which is the employer of such em-  
24           ployee, if—

25           “(i) such stock is received—

1                   “(I) in connection with the exer-  
2                   cise of an option, or

3                   “(II) in settlement of a restricted  
4                   stock unit, and

5                   “(ii) such option or restricted stock  
6                   unit was granted by the corporation—

7                   “(I) in connection with the per-  
8                   formance of services as an employee,  
9                   and

10                  “(II) during a calendar year in  
11                  which such corporation was an eligible  
12                  corporation.

13                  “(B) *LIMITATION.*—The term ‘qualified  
14                  stock’ shall not include any stock if the employee  
15                  may sell such stock to, or otherwise receive cash  
16                  in lieu of stock from, the corporation at the time  
17                  that the rights of the employee in such stock first  
18                  become transferable or not subject to a substan-  
19                  tial risk of forfeiture.

20                  “(C) *ELIGIBLE CORPORATION.*—For pur-  
21                  poses of subparagraph (A)(i)(II)—

22                  “(i) *IN GENERAL.*—The term ‘eligible  
23                  corporation’ means, with respect to any cal-  
24                  endar year, any corporation if—

1           “(I) no stock of such corporation  
2           (or any predecessor of such corpora-  
3           tion) is readily tradable on an estab-  
4           lished securities market (as determined  
5           under paragraph (1)(B)(iii)) during  
6           any preceding calendar year, and

7           “(II) such corporation has a writ-  
8           ten plan under which, in such calendar  
9           year, not less than 80 percent of all  
10          employees who provide services to such  
11          corporation in the United States (or  
12          any possession of the United States)  
13          are granted stock options, or are grant-  
14          ed restricted stock units, with the same  
15          rights and privileges to receive quali-  
16          fied stock.

17          “(i) SAME RIGHTS AND PRIVILEGES.—

18          For purposes of clause (i)(II)—

19                 “(I) except as provided in sub-  
20                 clauses (II) and (III), the determina-  
21                 tion of rights and privileges with re-  
22                 spect to stock shall be made in a simi-  
23                 lar manner as under section 423(b)(5),

24                 “(II) employees shall not fail to be  
25                 treated as having the same rights and

1           *privileges to receive qualified stock*  
2           *solely because the number of shares*  
3           *available to all employees is not equal*  
4           *in amount, so long as the number of*  
5           *shares available to each employee is*  
6           *more than a de minimis amount, and*  
7           *“(III) rights and privileges with*  
8           *respect to the exercise of an option*  
9           *shall not be treated as the same as*  
10          *rights and privileges with respect to*  
11          *the settlement of a restricted stock unit.*

12          *“(iii) EMPLOYEE.—For purposes of*  
13          *clause (i)(II), the term ‘employee’ shall not*  
14          *include any employee described in section*  
15          *4980E(d)(4) or any excluded employee.*

16          *“(iv) SPECIAL RULE FOR CALENDAR*  
17          *YEARS BEFORE 2018.—In the case of any*  
18          *calendar year beginning before January 1,*  
19          *2018, clause (i)(II) shall be applied without*  
20          *regard to whether the rights and privileges*  
21          *with respect to the qualified stock are the*  
22          *same.*

23          *“(3) QUALIFIED EMPLOYEE; EXCLUDED EM-*  
24          *PLOYEE.—For purposes of this subsection—*

1           “(A) *IN GENERAL.*—The term ‘qualified em-  
2           ployee’ means any individual who—

3                   “(i) is not an excluded employee, and

4                   “(ii) agrees in the election made under  
5           this subsection to meet such requirements as  
6           are determined by the Secretary to be nec-  
7           essary to ensure that the withholding re-  
8           quirements of the corporation under chapter  
9           24 with respect to the qualified stock are  
10          met.

11           “(B) *EXCLUDED EMPLOYEE.*—The term ‘ex-  
12          cluded employee’ means, with respect to any cor-  
13          poration, any individual—

14                   “(i) who is a 1-percent owner (within  
15           the meaning of section 416(i)(1)(B)(ii)) at  
16           any time during the calendar year or who  
17           was such a 1 percent owner at any time  
18           during the 10 preceding calendar years,

19                   “(ii) who is or has been at any prior  
20           time—

21                   “(I) the chief executive officer of  
22           such corporation or an individual act-  
23           ing in such a capacity, or

1                   “(II) the chief financial officer of  
2                   such corporation or an individual act-  
3                   ing in such a capacity,

4                   “(iii) who bears a relationship de-  
5                   scribed in section 318(a)(1) to any indi-  
6                   vidual described in subclause (I) or (II) of  
7                   clause (ii), or

8                   “(iv) who is one of the 4 highest com-  
9                   pensated officers of such corporation for the  
10                  taxable year, or was one of the 4 highest  
11                  compensated officers of such corporation for  
12                  any of the 10 preceding taxable years, deter-  
13                  mined with respect to each such taxable  
14                  year on the basis of the shareholder disclo-  
15                  sure rules for compensation under the Secu-  
16                  rities Exchange Act of 1934 (as if such rules  
17                  applied to such corporation).

18                  “(4) ELECTION.—

19                  “(A) TIME FOR MAKING ELECTION.—An  
20                  election with respect to qualified stock shall be  
21                  made under this subsection no later than 30  
22                  days after the first date the rights of the em-  
23                  ployee in such stock are transferable or are not  
24                  subject to a substantial risk of forfeiture, which-  
25                  ever occurs earlier, and shall be made in a man-

1           *ner similar to the manner in which an election*  
2           *is made under subsection (b).*

3           “(B) *LIMITATIONS.—No election may be*  
4           *made under this section with respect to any*  
5           *qualified stock if—*

6                     “(i) *the qualified employee has made*  
7                     *an election under subsection (b) with respect*  
8                     *to such qualified stock,*

9                     “(ii) *any stock of the corporation*  
10                    *which issued the qualified stock is readily*  
11                    *tradable on an established securities market*  
12                    *(as determined under paragraph*  
13                    *(1)(B)(iii)) at any time before the election*  
14                    *is made, or*

15                    “(iii) *such corporation purchased any*  
16                    *of its outstanding stock in the calendar year*  
17                    *preceding the calendar year which includes*  
18                    *the first date the rights of the employee in*  
19                    *such stock are transferable or are not subject*  
20                    *to a substantial risk of forfeiture, unless—*

21                             “(I) *not less than 25 percent of*  
22                             *the total dollar amount of the stock so*  
23                             *purchased is deferral stock, and*

24                             “(II) *the determination of which*  
25                             *individuals from whom deferral stock*



1                    *is purchased is made on a reasonable*  
2                    *basis.*

3                    “(C) *DEFINITIONS AND SPECIAL RULES RE-*  
4                    *LATED TO LIMITATION ON STOCK REDEMP-*  
5                    *TIONS.—*

6                    “(i) *DEFERRAL STOCK.—For purposes*  
7                    *of this paragraph, the term ‘deferral stock’*  
8                    *means stock with respect to which an elec-*  
9                    *tion is in effect under this subsection.*

10                    “(ii) *DEFERRAL STOCK WITH RESPECT*  
11                    *TO ANY INDIVIDUAL NOT TAKEN INTO AC-*  
12                    *COUNT IF INDIVIDUAL HOLDS DEFERRAL*  
13                    *STOCK WITH LONGER DEFERRAL PERIOD.—*  
14                    *Stock purchased by a corporation from any*  
15                    *individual shall not be treated as deferral*  
16                    *stock for purposes of subparagraph (B)(iii)*  
17                    *if such individual (immediately after such*  
18                    *purchase) holds any deferral stock with re-*  
19                    *spect to which an election has been in effect*  
20                    *under this subsection for a longer period*  
21                    *than the election with respect to the stock so*  
22                    *purchased.*

23                    “(iii) *PURCHASE OF ALL OUTSTANDING*  
24                    *DEFERRAL STOCK.—The requirements of*  
25                    *subclauses (I) and (II) of subparagraph*

1           *(B)(iii) shall be treated as met if the stock*  
2           *so purchased includes all of the corpora-*  
3           *tion's outstanding deferral stock.*

4           “(iv) *REPORTING.*—*Any corporation*  
5           *which has outstanding deferral stock as of*  
6           *the beginning of any calendar year and*  
7           *which purchases any of its outstanding*  
8           *stock during such calendar year shall in-*  
9           *clude on its return of tax for the taxable*  
10           *year in which, or with which, such calendar*  
11           *year ends the total dollar amount of its out-*  
12           *standing stock so purchased during such*  
13           *calendar year and such other information*  
14           *as the Secretary requires for purposes of ad-*  
15           *ministering this paragraph.*

16           “(5) *CONTROLLED GROUPS.*—*For purposes of*  
17           *this subsection, all persons treated as a single em-*  
18           *ployer under section 414(b) shall be treated as 1 cor-*  
19           *poration.*

20           “(6) *NOTICE REQUIREMENT.*—*Any corporation*  
21           *which transfers qualified stock to a qualified employee*  
22           *shall, at the time that (or a reasonable period before)*  
23           *an amount attributable to such stock would (but for*  
24           *this subsection) first be includible in the gross income*  
25           *of such employee—*

1           “(A) certify to such employee that such  
2 stock is qualified stock, and

3           “(B) notify such employee—

4                 “(i) that the employee may be eligible  
5 to elect to defer income on such stock under  
6 this subsection, and

7                 “(ii) that, if the employee makes such  
8 an election—

9                         “(I) the amount of income recog-  
10 nized at the end of the deferral period  
11 will be based on the value of the stock  
12 at the time at which the rights of the  
13 employee in such stock first become  
14 transferable or not subject to substan-  
15 tial risk of forfeiture, notwithstanding  
16 whether the value of the stock has de-  
17 clined during the deferral period,

18                         “(II) the amount of such income  
19 recognized at the end of the deferral pe-  
20 riod will be subject to withholding  
21 under section 3401(i) at the rate deter-  
22 mined under section 3402(t), and

23                         “(III) the responsibilities of the  
24 employee (as determined by the Sec-

1                   retary under paragraph (3)(A)(ii)  
2                   with respect to such withholding.

3                   “(7) *RESTRICTED STOCK UNITS.*—This section  
4                   (other than this subsection), including any election  
5                   under subsection (b), shall not apply to restricted  
6                   stock units.”.

7                   (b) *WITHHOLDING.*—

8                   (1) *TIME OF WITHHOLDING.*—Section 3401 is  
9                   amended by adding at the end the following new sub-  
10                  section:

11                  “(i) *QUALIFIED STOCK FOR WHICH AN ELECTION IS*  
12 *IN EFFECT UNDER SECTION 83(I).*—For purposes of sub-  
13 *section (a), qualified stock (as defined in section 83(i)) with*  
14 *respect to which an election is made under section 83(i)*  
15 *shall be treated as wages—*

16                  “(1) *received on the earliest date described in*  
17 *section 83(i)(1)(B), and*

18                  “(2) *in an amount equal to the amount included*  
19 *in income under section 83 for the taxable year which*  
20 *includes such date.”.*

21                  (2) *AMOUNT OF WITHHOLDING.*—Section 3402 is  
22                  amended by adding at the end the following new sub-  
23                  section:

24                  “(t) *RATE OF WITHHOLDING FOR CERTAIN STOCK.*—  
25 *In the case of any qualified stock (as defined in section*

1 83(i)(2)) with respect to which an election is made under  
2 section 83(i)—

3 “(1) the rate of tax under subsection (a) shall  
4 not be less than the maximum rate of tax in effect  
5 under section 1, and

6 “(2) such stock shall be treated for purposes of  
7 section 3501(b) in the same manner as a non-cash  
8 fringe benefit.”.

9 (c) COORDINATION WITH OTHER DEFERRED COM-  
10 PENSATION RULES.—

11 (1) ELECTION TO APPLY DEFERRAL TO STATU-  
12 TORY OPTIONS.—

13 (A) INCENTIVE STOCK OPTIONS.—Section  
14 422(b) is amended by adding at the end the fol-  
15 lowing: “Such term shall not include any option  
16 if an election is made under section 83(i) with  
17 respect to the stock received in connection with  
18 the exercise of such option.”.

19 (B) EMPLOYEE STOCK PURCHASE PLANS.—  
20 Section 423 is amended—

21 (i) in subsection (b)(5), by striking  
22 “and” before “the plan” and by inserting “,  
23 and the rules of section 83(i) shall apply in  
24 determining which employees have a right

1           to make an election under such section” be-  
2           fore the semicolon at the end, and

3                   (ii) by adding at the end the following  
4           new subsection:

5           “(d) *COORDINATION WITH QUALIFIED EQUITY*  
6 *GRANTS.*—An option for which an election is made under  
7 section 83(i) with respect to the stock received in connection  
8 with its exercise shall not be considered as granted pursuant  
9 an employee stock purchase plan.”.

10           (2) *EXCLUSION FROM DEFINITION OF NON-*  
11 *QUALIFIED DEFERRED COMPENSATION PLAN.*—Sub-  
12 section (d) of section 409A is amended by adding at  
13 the end the following new paragraph:

14           “(7) *TREATMENT OF QUALIFIED STOCK.*—An ar-  
15 rangement under which an employee may receive  
16 qualified stock (as defined in section 83(i)(2)) shall  
17 not be treated as a nonqualified deferred compensa-  
18 tion plan with respect to such employee solely because  
19 of such employee’s election, or ability to make an elec-  
20 tion, to defer recognition of income under section  
21 83(i).”.

22           (d) *INFORMATION REPORTING.*—Section 6051(a) is  
23 amended by striking “and” at the end of paragraph  
24 (14)(B), by striking the period at the end of paragraph (15)

1 *and inserting a comma, and by inserting after paragraph*  
2 *(15) the following new paragraphs:*

3           “(16) *the amount includible in gross income*  
4 *under subparagraph (A) of section 83(i)(1) with re-*  
5 *spect to an event described in subparagraph (B) of*  
6 *such section which occurs in such calendar year, and*

7           “(17) *the aggregate amount of income which is*  
8 *being deferred pursuant to elections under section*  
9 *83(i), determined as of the close of the calendar*  
10 *year.”.*

11       *(e) PENALTY FOR FAILURE OF EMPLOYER TO PROVIDE*  
12 *NOTICE OF TAX CONSEQUENCES.—Section 6652 is amend-*  
13 *ed by adding at the end the following new subsection:*

14       “(p) *FAILURE TO PROVIDE NOTICE UNDER SECTION*  
15 *83(I).—In the case of each failure to provide a notice as*  
16 *required by section 83(i)(6), at the time prescribed therefor,*  
17 *unless it is shown that such failure is due to reasonable*  
18 *cause and not to willful neglect, there shall be paid, on no-*  
19 *tice and demand of the Secretary and in the same manner*  
20 *as tax, by the person failing to provide such notice, an*  
21 *amount equal to \$100 for each such failure, but the total*  
22 *amount imposed on such person for all such failures during*  
23 *any calendar year shall not exceed \$50,000.”.*

24       *(f) EFFECTIVE DATES.—*

1           (1) *IN GENERAL.*—*Except as provided in para-*  
2 *graph (2), the amendments made by this section shall*  
3 *apply to stock attributable to options exercised, or re-*  
4 *stricted stock units settled, after December 31, 2017.*

5           (2) *REQUIREMENT TO PROVIDE NOTICE.*—*The*  
6 *amendments made by subsection (e) shall apply to*  
7 *failures after December 31, 2017.*

8           (g) *TRANSITION RULE.*—*Until such time as the Sec-*  
9 *retary (or the Secretary’s delegate) issues regulations or*  
10 *other guidance for purposes of implementing the require-*  
11 *ments of paragraph (2)(C)(i)(II) of section 83(i) of the In-*  
12 *ternal Revenue Code of 1986 (as added by this section), or*  
13 *the requirements of paragraph (6) of such section, a cor-*  
14 *poration shall be treated as being in compliance with such*  
15 *requirements (respectively) if such corporation complies*  
16 *with a reasonable good faith interpretation of such require-*  
17 *ments.*

18 **SEC. 13604. INCREASE IN EXCISE TAX RATE FOR STOCK**  
19 **COMPENSATION OF INSIDERS IN EXPATRI-**  
20 **ATED CORPORATIONS.**

21           (a) *IN GENERAL.*—*Section 4985(a)(1) is amended by*  
22 *striking “section 1(h)(1)(C)” and inserting “section*  
23 *1(h)(1)(D)”.*

24           (b) *EFFECTIVE DATE.*—*The amendment made by this*  
25 *section shall apply to corporations first becoming expatri-*



1 ated corporations (as defined in section 4985 of the Internal  
2 Revenue Code of 1986) after the date of enactment of this  
3 Act.

4 **Subpart B—Retirement Plans**

5 **SEC. 13611. REPEAL OF SPECIAL RULE PERMITTING RE-**  
6 **CHARACTERIZATION OF ROTH CONVERSIONS.**

7 (a) *IN GENERAL.*—Section 408A(d)(6)(B) is amended  
8 by adding at the end the following new clause:

9 “(iii) *CONVERSIONS.*—Subparagraph  
10 (A) shall not apply in the case of a quali-  
11 fied rollover contribution to which sub-  
12 section (d)(3) applies (including by reason  
13 of subparagraph (C) thereof).”

14 (b) *EFFECTIVE DATE.*—The amendments made by this  
15 section shall apply to taxable years beginning after Decem-  
16 ber 31, 2017.

17 **SEC. 13612. MODIFICATION OF RULES APPLICABLE TO**  
18 **LENGTH OF SERVICE AWARD PLANS.**

19 (a) *MAXIMUM DEFERRAL AMOUNT.*—Clause (ii) of sec-  
20 tion 457(e)(11)(B) is amended by striking “\$3,000” and in-  
21 serting “\$6,000”.

22 (b) *COST OF LIVING ADJUSTMENT.*—Subparagraph  
23 (B) of section 457(e)(11) is amended by adding at the end  
24 the following:

1                   “(iii) *COST OF LIVING ADJUSTMENT.*—  
2                   *In the case of taxable years beginning after*  
3                   *December 31, 2017, the Secretary shall ad-*  
4                   *just the \$6,000 amount under clause (ii) at*  
5                   *the same time and in the same manner as*  
6                   *under section 415(d), except that the base*  
7                   *period shall be the calendar quarter begin-*  
8                   *ning July 1, 2016, and any increase under*  
9                   *this paragraph that is not a multiple of*  
10                   *\$500 shall be rounded to the next lowest*  
11                   *multiple of \$500.”.*

12           (c) *APPLICATION OF LIMITATION ON ACCRUALS.*—Sub-  
13   *paragraph (B) of section 457(e)(11), as amended by sub-*  
14   *section (b), is amended by adding at the end the following:*

15                   “(iv) *SPECIAL RULE FOR APPLICATION*  
16                   *OF LIMITATION ON ACCRUALS FOR CERTAIN*  
17                   *PLANS.*—*In the case of a plan described in*  
18                   *subparagraph (A)(ii) which is a defined*  
19                   *benefit plan (as defined in section 414(j)),*  
20                   *the limitation under clause (i) shall apply*  
21                   *to the actuarial present value of the aggre-*  
22                   *gate amount of length of service awards ac-*  
23                   *cruing with respect to any year of service.*  
24                   *Such actuarial present value with respect to*  
25                   *any year shall be calculated using reason-*

1           able actuarial assumptions and methods,  
2           assuming payment will be made under the  
3           most valuable form of payment under the  
4           plan with payment commencing at the later  
5           of the earliest age at which unreduced bene-  
6           fits are payable under the plan or the par-  
7           ticipant's age at the time of the calcula-  
8           tion.”.

9           (d) *EFFECTIVE DATE.*—The amendments made by this  
10          section shall apply to taxable years beginning after Decem-  
11          ber 31, 2017.

12       **SEC. 13613. EXTENDED ROLLOVER PERIOD FOR PLAN LOAN**  
13                               **OFFSET AMOUNTS.**

14           (a) *IN GENERAL.*—Paragraph (3) of section 402(c) is  
15          amended by adding at the end the following new subpara-  
16          graph:

17                               “(C) *ROLLOVER OF CERTAIN PLAN LOAN*  
18                               *OFFSET AMOUNTS.*—

19                                       “(i) *IN GENERAL.*—In the case of a  
20                                       qualified plan loan offset amount, para-  
21                                       graph (1) shall not apply to any transfer of  
22                                       such amount made after the due date (in-  
23                                       cluding extensions) for filing the return of  
24                                       tax for the taxable year in which such

1           *amount is treated as distributed from a*  
2           *qualified employer plan.*

3           “(ii) *QUALIFIED PLAN LOAN OFFSET*  
4           *AMOUNT.—For purposes of this subpara-*  
5           *graph, the term ‘qualified plan loan offset*  
6           *amount’ means a plan loan offset amount*  
7           *which is treated as distributed from a*  
8           *qualified employer plan to a participant or*  
9           *beneficiary solely by reason of—*

10                   “(I) *the termination of the quali-*  
11                   *fied employer plan, or*

12                   “(II) *the failure to meet the re-*  
13                   *payment terms of the loan from such*  
14                   *plan because of the severance from em-*  
15                   *ployment of the participant.*

16           “(iii) *PLAN LOAN OFFSET AMOUNT.—*  
17           *For purposes of clause (ii), the term ‘plan*  
18           *loan offset amount’ means the amount by*  
19           *which the participant’s accrued benefit*  
20           *under the plan is reduced in order to repay*  
21           *a loan from the plan.*

22           “(iv) *LIMITATION.—This subparagraph*  
23           *shall not apply to any plan loan offset*  
24           *amount unless such plan loan offset amount*  
25           *relates to a loan to which section 72(p)(1)*

1           *does not apply by reason of section*  
 2           *72(p)(2).*

3           “(v) *QUALIFIED EMPLOYER PLAN.*—  
 4           *For purposes of this subsection, the term*  
 5           *‘qualified employer plan’ has the meaning*  
 6           *given such term by section 72(p)(4).”.*

7           **(b) CONFORMING AMENDMENTS.**—*Section 402(c)(3) is*  
 8           *amended—*

9           (1) *by striking “TRANSFER MUST BE MADE*  
 10           *WITHIN 60 DAYS OF RECEIPT” in the heading and in-*  
 11           *serting “TIME LIMIT ON TRANSFERS”, and*

12           (2) *by striking “subparagraph (B)” in subpara-*  
 13           *graph (A) and inserting “subparagraphs (B) and*  
 14           *(C)”.*

15           **(c) EFFECTIVE DATE.**—*The amendments made by this*  
 16           *section shall apply to plan loan offset amounts which are*  
 17           *treated as distributed in taxable years beginning after De-*  
 18           *cember 31, 2017.*

19           **PART VIII—EXEMPT ORGANIZATIONS**

20           **SEC. 13701. EXCISE TAX BASED ON INVESTMENT INCOME OF**  
 21           **PRIVATE COLLEGES AND UNIVERSITIES.**

22           **(a) IN GENERAL.**—*Chapter 42 is amended by adding*  
 23           *at the end the following new subchapter:*

1 **“Subchapter H—Excise Tax Based on Invest-**  
 2 **ment Income of Private Colleges and Uni-**  
 3 **versities**

*“Sec. 4968. Excise tax based on investment income of private colleges and universities.*

4 **“SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME OF**  
 5 **PRIVATE COLLEGES AND UNIVERSITIES.**

6 *“(a) TAX IMPOSED.—There is hereby imposed on each*  
 7 *applicable educational institution for the taxable year a tax*  
 8 *equal to 1.4 percent of the net investment income of such*  
 9 *institution for the taxable year.*

10 *“(b) APPLICABLE EDUCATIONAL INSTITUTION.—For*  
 11 *purposes of this subchapter—*

12 *“(1) IN GENERAL.—The term ‘applicable edu-*  
 13 *catinal institution’ means an eligible educational in-*  
 14 *stitution (as defined in section 25A(f)(2))—*

15 *“(A) which had at least 500 students during*  
 16 *the preceding taxable year,*

17 *“(B) more than 50 percent of the students*  
 18 *of which are located in the United States,*

19 *“(C) which is not described in the first sen-*  
 20 *tence of section 511(a)(2)(B) (relating to State*  
 21 *colleges and universities), and*

22 *“(D) the aggregate fair market value of the*  
 23 *assets of which at the end of the preceding tax-*  
 24 *able year (other than those assets which are used*

1           *directly in carrying out the institution’s exempt*  
2           *purpose) is at least \$500,000 per student of the*  
3           *institution.*

4           “(2) *STUDENTS.*—*For purposes of paragraph*  
5           *(1), the number of students of an institution (includ-*  
6           *ing for purposes of determining the number of stu-*  
7           *dents at a particular location) shall be based on the*  
8           *daily average number of full-time students attending*  
9           *such institution (with part-time students taken into*  
10           *account on a full-time student equivalent basis).*

11           “(c) *NET INVESTMENT INCOME.*—*For purposes of this*  
12           *section, net investment income shall be determined under*  
13           *rules similar to the rules of section 4940(c).*

14           “(d) *ASSETS AND NET INVESTMENT INCOME OF RE-*  
15           *LATED ORGANIZATIONS.*—

16           “(1) *IN GENERAL.*—*For purposes of subsections*  
17           *(b)(1)(C) and (c), assets and net investment income*  
18           *of any related organization with respect to an edu-*  
19           *cational institution shall be treated as assets and net*  
20           *investment income, respectively, of the educational in-*  
21           *stitution, except that—*

22                   “(A) *no such amount shall be taken into ac-*  
23                   *count with respect to more than 1 educational*  
24                   *institution, and*

1           “(B) unless such organization is controlled  
2           by such institution or is described in section  
3           509(a)(3) with respect to such institution for the  
4           taxable year, assets and net investment income  
5           which are not intended or available for the use  
6           or benefit of the educational institution shall not  
7           be taken into account.

8           “(2) *RELATED ORGANIZATION*.—For purposes of  
9           this subsection, the term ‘related organization’ means,  
10          with respect to an educational institution, any orga-  
11          nization which—

12                 “(A) controls, or is controlled by, such insti-  
13                 tution,

14                 “(B) is controlled by 1 or more persons  
15                 which also control such institution, or

16                 “(C) is a supported organization (as de-  
17                 fined in section 509(f)(3)), or an organization  
18                 described in section 509(a)(3), during the taxable  
19                 year with respect to such institution.”.

20          (b) *CLERICAL AMENDMENT*.—The table of subchapters  
21          for chapter 42 is amended by adding at the end the fol-  
22          lowing new item:



“SUBCHAPTER H—EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES”.

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to taxable years beginning after Decem-*  
 3 *ber 31, 2017.*

4 **SEC. 13702. UNRELATED BUSINESS TAXABLE INCOME SEPA-**  
 5 **RATELY COMPUTED FOR EACH TRADE OR**  
 6 **BUSINESS ACTIVITY.**

7       (a) *IN GENERAL.*—*Subsection (a) of section 512 is*  
 8 *amended by adding at the end the following new paragraph:*

9               “(6) *SPECIAL RULE FOR ORGANIZATION WITH*  
 10 *MORE THAN 1 UNRELATED TRADE OR BUSINESS.*—*In*  
 11 *the case of any organization with more than 1 unre-*  
 12 *lated trade or business—*

13               “(A) *unrelated business taxable income, in-*  
 14 *cluding for purposes of determining any net op-*  
 15 *erating loss deduction, shall be computed sepa-*  
 16 *rately with respect to each such trade or business*  
 17 *and without regard to subsection (b)(12),*

18               “(B) *the unrelated business taxable income*  
 19 *of such organization shall be the sum of the unre-*  
 20 *lated business taxable income so computed with*  
 21 *respect to each such trade or business, less a spe-*  
 22 *cific deduction under subsection (b)(12), and*

23               “(C) *for purposes of subparagraph (B), un-*  
 24 *related business taxable income with respect to*

1           *any such trade or business shall not be less than*  
2           *zero.”.*

3       **(b) EFFECTIVE DATE.—**

4           **(1) IN GENERAL.—***Except to the extent provided*  
5           *in paragraph (2), the amendment made by this sec-*  
6           *tion shall apply to taxable years beginning after De-*  
7           *cember 31, 2017.*

8           **(2) CARRYOVERS OF NET OPERATING LOSSES.—**  
9           *If any net operating loss arising in a taxable year be-*  
10          *ginning before January 1, 2018, is carried over to a*  
11          *taxable year beginning on or after such date—*

12                   **(A)** *subparagraph (A) of section 512(a)(6)*  
13                   *of the Internal Revenue Code of 1986, as added*  
14                   *by this Act, shall not apply to such net operating*  
15                   *loss, and*

16                   **(B)** *the unrelated business taxable income of*  
17                   *the organization, after the application of sub-*  
18                   *paragraph (B) of such section, shall be reduced*  
19                   *by the amount of such net operating loss.*

1 **SEC. 13703. UNRELATED BUSINESS TAXABLE INCOME IN-**  
2 **CREASED BY AMOUNT OF CERTAIN FRINGE**  
3 **BENEFIT EXPENSES FOR WHICH DEDUCTION**  
4 **IS DISALLOWED.**

5 (a) *IN GENERAL.*—Section 512(a), as amended by this  
6 Act, is further amended by adding at the end the following  
7 new paragraph:

8 “(7) *INCREASE IN UNRELATED BUSINESS TAX-*  
9 *ABLE INCOME BY DISALLOWED FRINGE.*—Unrelated  
10 business taxable income of an organization shall be  
11 increased by any amount for which a deduction is not  
12 allowable under this chapter by reason of section 274  
13 and which is paid or incurred by such organization  
14 for any qualified transportation fringe (as defined in  
15 section 132(f)), any parking facility used in connec-  
16 tion with qualified parking (as defined in section  
17 132(f)(5)(C)), or any on-premises athletic facility (as  
18 defined in section 132(j)(4)(B)). The preceding sen-  
19 tence shall not apply to the extent the amount paid  
20 or incurred is directly connected with an unrelated  
21 trade or business which is regularly carried on by the  
22 organization. The Secretary shall issue such regula-  
23 tions or other guidance as may be necessary or appro-  
24 priate to carry out the purposes of this paragraph,  
25 including regulations or other guidance providing for  
26 the appropriate allocation of depreciation and other

1 *costs with respect to facilities used for parking or for*  
2 *on-premises athletic facilities.”.*

3 *(b) EFFECTIVE DATE.—The amendment made by this*  
4 *section shall apply to amounts paid or incurred after De-*  
5 *cember 31, 2017.*

6 **SEC. 13704. REPEAL OF DEDUCTION FOR AMOUNTS PAID IN**  
7 **EXCHANGE FOR COLLEGE ATHLETIC EVENT**  
8 **SEATING RIGHTS.**

9 *(a) IN GENERAL.—Section 170(l) is amended—*

10 *(1) by striking paragraph (1) and inserting the*  
11 *following:*

12 *“(1) IN GENERAL.—No deduction shall be al-*  
13 *lowed under this section for any amount described in*  
14 *paragraph (2).”, and*

15 *(2) in paragraph (2)(B), by striking “such*  
16 *amount would be allowable as a deduction under this*  
17 *section but for the fact that”.*

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

1 **SEC. 13705. REPEAL OF SUBSTANTIATION EXCEPTION IN**  
 2 **CASE OF CONTRIBUTIONS REPORTED BY**  
 3 **DONEE.**

4 (a) *IN GENERAL.*—Section 170(f)(8) is amended by  
 5 striking subparagraph (D) and by redesignating subpara-  
 6 graph (E) as subparagraph (D).

7 (b) *EFFECTIVE DATE.*—The amendments made by this  
 8 section shall apply to contributions made in taxable years  
 9 beginning after December 31, 2016.

10 **PART IX—OTHER PROVISIONS**

11 **Subpart A—Craft Beverage Modernization and Tax**  
 12 **Reform**

13 **SEC. 13801. PRODUCTION PERIOD FOR BEER, WINE, AND**  
 14 **DISTILLED SPIRITS.**

15 (a) *IN GENERAL.*—Section 263A(f) is amended—

16 (1) by redesignating paragraph (4) as para-  
 17 graph (5), and

18 (2) by inserting after paragraph (3) the fol-  
 19 lowing new paragraph:

20 “(4) *EXEMPTION FOR AGING PROCESS OF BEER,*  
 21 *WINE, AND DISTILLED SPIRITS.*—

22 “(A) *IN GENERAL.*—For purposes of this  
 23 subsection, the production period shall not in-  
 24 clude the aging period for—

25 “(i) beer (as defined in section  
 26 5052(a)),

1                   “(ii) wine (as described in section  
2                   5041(a)), or

3                   “(iii) distilled spirits (as defined in  
4                   section 5002(a)(8)), except such spirits that  
5                   are unfit for use for beverage purposes.

6                   “(B) TERMINATION.—This paragraph shall  
7                   not apply to interest costs paid or accrued after  
8                   December 31, 2019.”.

9                   (b) CONFORMING AMENDMENT.—Paragraph (5)(B)(ii)  
10 of section 263A(f), as redesignated by this section, is amend-  
11 ed by inserting “except as provided in paragraph (4),” be-  
12 fore “ending on the date”.

13                   (c) EFFECTIVE DATE.—The amendments made by this  
14 section shall apply to interest costs paid or accrued in cal-  
15 endar years beginning after December 31, 2017.

16 **SEC. 13802. REDUCED RATE OF EXCISE TAX ON BEER.**

17                   (a) IN GENERAL.—Paragraph (1) of section 5051(a)  
18 is amended to read as follows:

19                   “(1) IN GENERAL.—

20                   “(A) IMPOSITION OF TAX.—A tax is hereby  
21 imposed on all beer brewed or produced, and re-  
22 moved for consumption or sale, within the  
23 United States, or imported into the United  
24 States. Except as provided in paragraph (2), the

1           *rate of such tax shall be the amount determined*  
2           *under this paragraph.*

3           “(B) *RATE.*—*Except as provided in sub-*  
4           *paragraph (C), the rate of tax shall be \$18 for*  
5           *per barrel.*

6           “(C) *SPECIAL RULE.*—*In the case of beer re-*  
7           *moved after December 31, 2017, and before Jan-*  
8           *uary 1, 2020, the rate of tax shall be—*

9                   “(i) *\$16 on the first 6,000,000 barrels*  
10                  *of beer—*

11                           “(I) *brewed by the brewer and re-*  
12                           *moved during the calendar year for*  
13                           *consumption or sale, or*

14                                   “(II) *imported by the importer*  
15                                   *into the United States during the cal-*  
16                                   *endar year, and*

17   “(ii) *\$18 on any barrels of beer to*  
18   *which clause (i) does not apply.*

19           “(D) *BARREL.*—*For purposes of this sec-*  
20           *tion, a barrel shall contain not more than 31*  
21           *gallons of beer, and any tax imposed under this*  
22           *section shall be applied at a like rate for any*  
23           *other quantity or for fractional parts of a bar-*  
24           *rel.”.*

1       **(b) REDUCED RATE FOR CERTAIN DOMESTIC PRODUC-**  
2 *TION.*—*Subparagraph (A) of section 5051(a)(2) is amend-*  
3 *ed—*

4           (1) *in the heading, by striking “\$7 A BARREL”,*  
5 *and*

6           (2) *by inserting “(\$3.50 in the case of beer re-*  
7 *moved after December 31, 2017, and before January*  
8 *1, 2020)” after “\$7”.*

9       **(c) APPLICATION OF REDUCED TAX RATE FOR FOR-**  
10 *EIGN MANUFACTURERS AND IMPORTERS.*—*Subsection (a)*  
11 *of section 5051 is amended—*

12           (1) *in subparagraph (C)(i)(II) of paragraph (1),*  
13 *as amended by subsection (a), by inserting “but only*  
14 *if the importer is an electing importer under para-*  
15 *graph (4) and the barrels have been assigned to the*  
16 *importer pursuant to such paragraph” after “during*  
17 *the calendar year”, and*

18           (2) *by adding at the end the following new para-*  
19 *graph:*

20           **“(4) REDUCED TAX RATE FOR FOREIGN MANU-**  
21 **FACTURERS AND IMPORTERS.—**

22           **“(A) IN GENERAL.—***In the case of any bar-*  
23 *rels of beer which have been brewed or produced*  
24 *outside of the United States and imported into*  
25 *the United States, the rate of tax applicable*



1           *under clause (i) of paragraph (1)(C) (referred to*  
2           *in this paragraph as the ‘reduced tax rate’) may*  
3           *be assigned by the brewer (provided that the*  
4           *brewer makes an election described in subpara-*  
5           *graph (B)(ii)) to any electing importer of such*  
6           *barrels pursuant to the requirements established*  
7           *by the Secretary under subparagraph (B).*

8           “(B) *ASSIGNMENT.*—*The Secretary shall,*  
9           *through such rules, regulations, and procedures*  
10          *as are determined appropriate, establish proce-*  
11          *dures for assignment of the reduced tax rate pro-*  
12          *vided under this paragraph, which shall in-*  
13          *clude—*

14                 “(i) *a limitation to ensure that the*  
15                 *number of barrels of beer for which the re-*  
16                 *duced tax rate has been assigned by a brew-*  
17                 *er—*

18                         “(I) *to any importer does not ex-*  
19                         *ceed the number of barrels of beer*  
20                         *brewed or produced by such brewer*  
21                         *during the calendar year which were*  
22                         *imported into the United States by*  
23                         *such importer, and*

1                   “(II) to all importers does not ex-  
2                   ceed the 6,000,000 barrels to which the  
3                   reduced tax rate applies,

4                   “(ii) procedures that allow the election  
5                   of a brewer to assign and an importer to re-  
6                   ceive the reduced tax rate provided under  
7                   this paragraph,

8                   “(iii) requirements that the brewer  
9                   provide any information as the Secretary  
10                  determines necessary and appropriate for  
11                  purposes of carrying out this paragraph,  
12                  and

13                  “(iv) procedures that allow for revoca-  
14                  tion of eligibility of the brewer and the im-  
15                  porter for the reduced tax rate provided  
16                  under this paragraph in the case of any er-  
17                  roneous or fraudulent information provided  
18                  under clause (iii) which the Secretary  
19                  deems to be material to qualifying for such  
20                  reduced rate.

21                  “(C) CONTROLLED GROUP.—For purposes  
22                  of this section, any importer making an election  
23                  described in subparagraph (B)(ii) shall be  
24                  deemed to be a member of the controlled group

1           of the brewer, as described under paragraph  
2           (5).”.

3           (d) *CONTROLLED GROUP AND SINGLE TAXPAYER*

4 *RULES.—Subsection (a) of section 5051, as amended by this*  
5 *section, is amended—*

6           (1) *in paragraph (2)—*

7                   (A) *by striking subparagraph (B), and*

8                   (B) *by redesignating subparagraph (C) as*  
9 *subparagraph (B), and*

10           (2) *by adding at the end the following new para-*  
11 *graph:*

12                   “(5) *CONTROLLED GROUP AND SINGLE TAXPAYER*  
13 *RULES.—*

14                   “(A) *IN GENERAL.—Except as provided in*  
15 *subparagraph (B), in the case of a controlled*  
16 *group, the 6,000,000 barrel quantity specified in*  
17 *paragraph (1)(C)(i) and the 2,000,000 barrel*  
18 *quantity specified in paragraph (2)(A) shall be*  
19 *applied to the controlled group, and the*  
20 *6,000,000 barrel quantity specified in paragraph*  
21 *(1)(C)(i) and the 60,000 barrel quantity speci-*  
22 *fied in paragraph (2)(A) shall be apportioned*  
23 *among the brewers who are members of such*  
24 *group in such manner as the Secretary or their*  
25 *delegate shall by regulations prescribe. For pur-*

1       poses of the preceding sentence, the term ‘con-  
2       trolled group’ has the meaning assigned to it by  
3       subsection (a) of section 1563, except that for  
4       such purposes the phrase ‘more than 50 percent’  
5       shall be substituted for the phrase ‘at least 80  
6       percent’ in each place it appears in such sub-  
7       section. Under regulations prescribed by the Sec-  
8       retary, principles similar to the principles of the  
9       preceding two sentences shall be applied to a  
10      group of brewers under common control where  
11      one or more of the brewers is not a corporation.

12           “(B) FOREIGN MANUFACTURERS AND IM-  
13      PORTERS.—For purposes of paragraph (4), in  
14      the case of a controlled group, the 6,000,000 bar-  
15      rel quantity specified in paragraph (1)(C)(i)  
16      shall be applied to the controlled group and ap-  
17      portioned among the members of such group in  
18      such manner as the Secretary shall by regula-  
19      tions prescribe. For purposes of the preceding  
20      sentence, the term ‘controlled group’ has the  
21      meaning given such term under subparagraph  
22      (A). Under regulations prescribed by the Sec-  
23      retary, principles similar to the principles of the  
24      preceding two sentences shall be applied to a

1           group of brewers under common control where  
2           one or more of the brewers is not a corporation.

3           “(C) *SINGLE TAXPAYER*.—Pursuant to rules  
4           issued by the Secretary, two or more entities  
5           (whether or not under common control) that  
6           produce beer marketed under a similar brand, li-  
7           cense, franchise, or other arrangement shall be  
8           treated as a single taxpayer for purposes of the  
9           application of this subsection.”.

10          (e) *EFFECTIVE DATE*.—The amendments made by this  
11 section shall apply to beer removed after December 31, 2017.

12 **SEC. 13803. TRANSFER OF BEER BETWEEN BONDED FACILI-**  
13                   **TIES.**

14          (a) *IN GENERAL*.—Section 5414 is amended—

15               (1) by striking “Beer may be removed” and in-  
16               serting “(a) *IN GENERAL*—Beer may be removed”,  
17               and

18               (2) by adding at the end the following:

19               “(b) *TRANSFER OF BEER BETWEEN BONDED FACILI-*  
20 *TIES*.—

21                       “(1) *IN GENERAL*.—Beer may be removed from  
22                       one bonded brewery to another bonded brewery, with-  
23                       out payment of tax, and may be mingled with beer  
24                       at the receiving brewery, subject to such conditions,  
25                       including payment of the tax, and in such containers,

1       *as the Secretary by regulations shall prescribe, which*  
2       *shall include—*

3               “(A) *any removal from one brewery to an-*  
4               *other brewery belonging to the same brewer,*

5               “(B) *any removal from a brewery owned by*  
6               *one corporation to a brewery owned by another*  
7               *corporation when—*

8                       “(i) *one such corporation owns the con-*  
9                       *trolling interest in the other such corpora-*  
10                      *tion, or*

11                     “(ii) *the controlling interest in each*  
12                     *such corporation is owned by the same per-*  
13                     *son or persons, and*

14               “(C) *any removal from one brewery to an-*  
15               *other brewery when—*

16                     “(i) *the proprietors of transferring and*  
17                     *receiving premises are independent of each*  
18                     *other and neither has a proprietary interest,*  
19                     *directly or indirectly, in the business of the*  
20                     *other, and*

21                     “(ii) *the transferor has divested itself*  
22                     *of all interest in the beer so transferred and*  
23                     *the transferee has accepted responsibility for*  
24                     *payment of the tax.*

1           “(2) *TRANSFER OF LIABILITY FOR TAX.*—For  
 2           purposes of paragraph (1)(C), such relief from liabil-  
 3           ity shall be effective from the time of removal from the  
 4           transferor’s bonded premises, or from the time of di-  
 5           vestment of interest, whichever is later.

6           “(3) *TERMINATION.*—This subsection shall not  
 7           apply to any calendar quarter beginning after Decem-  
 8           ber 31, 2019.”.

9           (b) *REMOVAL FROM BREWERY BY PIPELINE.*—Section  
 10          5412 is amended by inserting “pursuant to section 5414  
 11          or” before “by pipeline”.

12          (c) *EFFECTIVE DATE.*—The amendments made by this  
 13          section shall apply to any calendar quarters beginning after  
 14          December 31, 2017.

15          **SEC. 13804. REDUCED RATE OF EXCISE TAX ON CERTAIN**  
 16    **WINE.**

17          (a) *IN GENERAL.*—Section 5041(c) is amended by add-  
 18          ing at the end the following new paragraph:

19    “(8) *SPECIAL RULE FOR 2018 AND 2019.*—

20    “(A) *IN GENERAL.*—In the case of wine re-  
 21    moved after December 31, 2017, and before Jan-  
 22    uary 1, 2020, paragraphs (1) and (2) shall not  
 23    apply and there shall be allowed as a credit  
 24    against any tax imposed by this title (other than

1 chapters 2, 21, and 22) an amount equal to the  
2 sum of—

3 “(i) \$1 per wine gallon on the first  
4 30,000 wine gallons of wine, plus

5 “(ii) 90 cents per wine gallon on the  
6 first 100,000 wine gallons of wine to which  
7 clause (i) does not apply, plus

8 “(iii) 53.5 cents per wine gallon on the  
9 first 620,000 wine gallons of wine to which  
10 clauses (i) and (ii) do not apply,

11 which are produced by the producer and removed  
12 during the calendar year for consumption or  
13 sale, or which are imported by the importer into  
14 the United States during the calendar year.

15 “(B) *ADJUSTMENT OF CREDIT FOR HARD*  
16 *CIDER.*—In the case of wine described in sub-  
17 section (b)(6), subparagraph (A) of this para-  
18 graph shall be applied—

19 “(i) in clause (i) of such subparagraph,  
20 by substituting ‘6.2 cents’ for ‘\$1’,

21 “(ii) in clause (ii) of such subpara-  
22 graph, by substituting ‘5.6 cents’ for ‘90  
23 cents’, and



1                   “(iii) in clause (iii) of such subpara-  
2                   graph, by substituting ‘3.3 cents’ for ‘53.5  
3                   cents.’”,

4           (b) *CONTROLLED GROUP AND SINGLE TAXPAYER*  
5 *RULES.*—Paragraph (4) of section 5041(c) is amended by  
6 striking “section 5051(a)(2)(B)” and inserting “section  
7 5051(a)(5)”.

8           (c) *ALLOWANCE OF CREDIT FOR FOREIGN MANUFAC-*  
9 *TURERS AND IMPORTERS.*—Subsection (c) of section 5041,  
10 as amended by subsection (a), is amended—

11           (1) in subparagraph (A) of paragraph (8), by  
12 inserting “but only if the importer is an electing im-  
13 porter under paragraph (9) and the wine gallons of  
14 wine have been assigned to the importer pursuant to  
15 such paragraph” after “into the United States during  
16 the calendar year”, and

17           (2) by adding at the end the following new para-  
18 graph:

19           “(9) *ALLOWANCE OF CREDIT FOR FOREIGN MAN-*  
20 *UFACTURERS AND IMPORTERS.*—

21           “(A) *IN GENERAL.*—In the case of any wine  
22 gallons of wine which have been produced outside  
23 of the United States and imported into the  
24 United States, the credit allowable under para-  
25 graph (8) (referred to in this paragraph as the

1       *‘tax credit’)* may be assigned by the person who  
2       *produced such wine (referred to in this para-*  
3       *graph as the ‘foreign producer’), provided that*  
4       *such person makes an election described in sub-*  
5       *paragraph (B)(ii), to any electing importer of*  
6       *such wine gallons pursuant to the requirements*  
7       *established by the Secretary under subparagraph*  
8       *(B).*

9               *“(B) ASSIGNMENT.—The Secretary shall,*  
10       *through such rules, regulations, and procedures*  
11       *as are determined appropriate, establish proce-*  
12       *dures for assignment of the tax credit provided*  
13       *under this paragraph, which shall include—*

14               *“(i) a limitation to ensure that the*  
15       *number of wine gallons of wine for which*  
16       *the tax credit has been assigned by a foreign*  
17       *producer—*

18               *“(I) to any importer does not ex-*  
19       *ceed the number of wine gallons of*  
20       *wine produced by such foreign pro-*  
21       *ducer during the calendar year which*  
22       *were imported into the United States*  
23       *by such importer, and*

1                   “(II) to all importers does not ex-  
2                   ceed the 750,000 wine gallons of wine  
3                   to which the tax credit applies,

4                   “(i) procedures that allow the election  
5                   of a foreign producer to assign and an im-  
6                   porter to receive the tax credit provided  
7                   under this paragraph,

8                   “(iii) requirements that the foreign  
9                   producer provide any information as the  
10                  Secretary determines necessary and appro-  
11                  priate for purposes of carrying out this  
12                  paragraph, and

13                  “(iv) procedures that allow for revoca-  
14                  tion of eligibility of the foreign producer  
15                  and the importer for the tax credit provided  
16                  under this paragraph in the case of any er-  
17                  roneous or fraudulent information provided  
18                  under clause (iii) which the Secretary  
19                  deems to be material to qualifying for such  
20                  credit.

21                  “(C) CONTROLLED GROUP.—For purposes  
22                  of this section, any importer making an election  
23                  described in subparagraph (B)(ii) shall be  
24                  deemed to be a member of the controlled group

1           of the foreign producer, as described under para-  
2           graph (4).”.

3           (d) *EFFECTIVE DATE.*—*The amendments made by this*  
4 *section shall apply to wine removed after December 31,*  
5 *2017.*

6 **SEC. 13805. ADJUSTMENT OF ALCOHOL CONTENT LEVEL**  
7           **FOR APPLICATION OF EXCISE TAX RATES.**

8           (a) *IN GENERAL.*—*Paragraphs (1) and (2) of section*  
9 *5041(b) are each amended by inserting “(16 percent in the*  
10 *case of wine removed after December 31, 2017, and before*  
11 *January 1, 2020” after “14 percent”.*

12           (b) *EFFECTIVE DATE.*—*The amendments made by this*  
13 *section shall apply to wine removed after December 31,*  
14 *2017.*

15 **SEC. 13806. DEFINITION OF MEAD AND LOW ALCOHOL BY**  
16           **VOLUME WINE.**

17           (a) *IN GENERAL.*—*Section 5041 is amended—*

18                   (1) *in subsection (a), by striking “Still wines”*  
19 *and inserting “Subject to subsection (h), still wines”,*  
20 *and*

21                   (2) *by adding at the end the following new sub-*  
22 *section:*

23           “(h) *MEAD AND LOW ALCOHOL BY VOLUME WINE.*—

24                   “(1) *IN GENERAL.*—*For purposes of subsections*  
25 *(a) and (b)(1), mead and low alcohol by volume wine*

1       *shall be deemed to be still wines containing not more*  
2       *than 16 percent of alcohol by volume.*

3               “(2) *DEFINITIONS.—*

4                       “(A) *MEAD.—For purposes of this section,*  
5       *the term ‘mead’ means a wine—*

6                               “(i) *containing not more than 0.64*  
7       *gram of carbon dioxide per hundred milli-*  
8       *liters of wine, except that the Secretary*  
9       *shall by regulations prescribe such toler-*  
10       *ances to this limitation as may be reason-*  
11       *ably necessary in good commercial practice,*

12                               “(ii) *which is derived solely from*  
13       *honey and water,*

14                               “(iii) *which contains no fruit product*  
15       *or fruit flavoring, and*

16                               “(iv) *which contains less than 8.5 per-*  
17       *cent alcohol by volume.*

18                       “(B) *LOW ALCOHOL BY VOLUME WINE.—*

19       *For purposes of this section, the term ‘low alco-*  
20       *hol by volume wine’ means a wine—*

21                               “(i) *containing not more than 0.64*  
22       *gram of carbon dioxide per hundred milli-*  
23       *liters of wine, except that the Secretary*  
24       *shall by regulations prescribe such toler-*

1           ances to this limitation as may be reason-  
2           ably necessary in good commercial practice,

3           “(ii) which is derived—

4                     “(I) primarily from grapes, or

5                     “(II) from grape juice concentrate  
6           and water,

7           “(iii) which contains no fruit product  
8           or fruit flavoring other than grape, and

9           “(iv) which contains less than 8.5 per-  
10          cent alcohol by volume.

11           “(3) *TERMINATION*.—This subsection shall not  
12          apply to wine removed after December 31, 2019.”.

13          (b) *EFFECTIVE DATE*.—The amendments made by this  
14          section shall apply to wine removed after December 31,  
15          2017.

16          **SEC. 13807. REDUCED RATE OF EXCISE TAX ON CERTAIN**  
17    **DISTILLED SPIRITS.**

18          (a) *IN GENERAL*.—Section 5001 is amended by redес-  
19          ignating subsection (c) as subsection (d) and by inserting  
20          after subsection (b) the following new subsection:

21           “(c) *REDUCED RATE FOR 2018 AND 2019*.—

22                     “(1) *IN GENERAL*.—In the case of a distilled  
23          spirits operation, the otherwise applicable tax rate  
24          under subsection (a)(1) shall be—

1           “(A) \$2.70 per proof gallon on the first  
2           100,000 proof gallons of distilled spirits, and

3           “(B) \$13.34 per proof gallon on the first  
4           22,130,000 of proof gallons of distilled spirits to  
5           which subparagraph (A) does not apply,

6           which have been distilled or processed by such oper-  
7           ation and removed during the calendar year for con-  
8           sumption or sale, or which have been imported by the  
9           importer into the United States during the calendar  
10          year.

11          “(2) CONTROLLED GROUPS.—

12           “(A) IN GENERAL.—In the case of a con-  
13           trolled group, the proof gallon quantities speci-  
14           fied under subparagraphs (A) and (B) of para-  
15           graph (1) shall be applied to such group and ap-  
16           portioned among the members of such group in  
17           such manner as the Secretary or their delegate  
18           shall by regulations prescribe.

19           “(B) DEFINITION.—For purposes of sub-  
20           paragraph (A), the term ‘controlled group’ shall  
21           have the meaning given such term by subsection  
22           (a) of section 1563, except that ‘more than 50  
23           percent’ shall be substituted for ‘at least 80 per-  
24           cent’ each place it appears in such subsection.

1           “(C) *RULES FOR NON-CORPORATIONS.*—  
2           *Under regulations prescribed by the Secretary,*  
3           *principles similar to the principles of subpara-*  
4           *graphs (A) and (B) shall be applied to a group*  
5           *under common control where one or more of the*  
6           *persons is not a corporation.*

7           “(D) *SINGLE TAXPAYER.*—*Pursuant to rules*  
8           *issued by the Secretary, two or more entities*  
9           *(whether or not under common control) that*  
10           *produce distilled spirits marketed under a simi-*  
11           *lar brand, license, franchise, or other arrange-*  
12           *ment shall be treated as a single taxpayer for*  
13           *purposes of the application of this subsection.*

14           “(3) *TERMINATION.*—*This subsection shall not*  
15           *apply to distilled spirits removed after December 31,*  
16           *2019.”.*

17           “(b) *CONFORMING AMENDMENT.*—*Section 7652(f)(2) is*  
18           *amended by striking “section 5001(a)(1)” and inserting*  
19           *“subsection (a)(1) of section 5001, determined as if sub-*  
20           *section (c)(1) of such section did not apply”.*

21           “(c) *APPLICATION OF REDUCED TAX RATE FOR FOR-*  
22           *EIGN MANUFACTURERS AND IMPORTERS.*—*Subsection (c) of*  
23           *section 5001, as added by subsection (a), is amended—*

24                   (1) *in paragraph (1), by inserting “but only if*  
25           *the importer is an electing importer under paragraph*



1       (3) and the proof gallons of distilled spirits have been  
2       assigned to the importer pursuant to such paragraph”  
3       after “into the United States during the calendar  
4       year”, and

5               (2) by redesignating paragraph (3) as para-  
6       graph (4) and by inserting after paragraph (2) the  
7       following new paragraph:

8               “(3) *REDUCED TAX RATE FOR FOREIGN MANU-*  
9       *FACTURERS AND IMPORTERS.—*

10              “(A) *IN GENERAL.—*In the case of any proof  
11       gallons of distilled spirits which have been pro-  
12       duced outside of the United States and imported  
13       into the United States, the rate of tax applicable  
14       under paragraph (1) (referred to in this para-  
15       graph as the ‘reduced tax rate’) may be assigned  
16       by the distilled spirits operation (provided that  
17       such operation makes an election described in  
18       subparagraph (B)(ii)) to any electing importer  
19       of such proof gallons pursuant to the require-  
20       ments established by the Secretary under sub-  
21       paragraph (B).

22              “(B) *ASSIGNMENT.—*The Secretary shall,  
23       through such rules, regulations, and procedures  
24       as are determined appropriate, establish proce-  
25       dures for assignment of the reduced tax rate pro-

1            *vided under this paragraph, which shall in-*  
2            *clude—*

3            *“(i) a limitation to ensure that the*  
4            *number of proof gallons of distilled spirits*  
5            *for which the reduced tax rate has been as-*  
6            *signed by a distilled spirits operation—*

7            *“(I) to any importer does not ex-*  
8            *ceed the number of proof gallons pro-*  
9            *duced by such operation during the*  
10           *calendar year which were imported*  
11           *into the United States by such im-*  
12           *porter, and*

13           *“(II) to all importers does not ex-*  
14           *ceed the 22,230,000 proof gallons of*  
15           *distilled spirits to which the reduced*  
16           *tax rate applies,*

17           *“(ii) procedures that allow the election*  
18           *of a distilled spirits operation to assign and*  
19           *an importer to receive the reduced tax rate*  
20           *provided under this paragraph,*

21           *“(iii) requirements that the distilled*  
22           *spirits operation provide any information*  
23           *as the Secretary determines necessary and*  
24           *appropriate for purposes of carrying out*  
25           *this paragraph, and*

1           “(iv) procedures that allow for revoca-  
2           tion of eligibility of the distilled spirits op-  
3           eration and the importer for the reduced tax  
4           rate provided under this paragraph in the  
5           case of any erroneous or fraudulent infor-  
6           mation provided under clause (iii) which  
7           the Secretary deems to be material to quali-  
8           fying for such reduced rate.

9           “(C) CONTROLLED GROUP.—

10           “(i) IN GENERAL.—For purposes of  
11           this section, any importer making an elec-  
12           tion described in subparagraph (B)(ii) shall  
13           be deemed to be a member of the controlled  
14           group of the distilled spirits operation, as  
15           described under paragraph (2).

16           “(ii) APPORTIONMENT.—For purposes  
17           of this paragraph, in the case of a con-  
18           trolled group, rules similar to section  
19           5051(a)(5)(B) shall apply.”.

20           (d) EFFECTIVE DATE.—The amendments made by this  
21           section shall apply to distilled spirits removed after Decem-  
22           ber 31, 2017.

23           **SEC. 13808. BULK DISTILLED SPIRITS.**

24           (a) IN GENERAL.—Section 5212 is amended by adding  
25           at the end the following sentence: “In the case of distilled

1 *spirits transferred in bond after December 31, 2017, and*  
 2 *before January 1, 2020, this section shall be applied with-*  
 3 *out regard to whether distilled spirits are bulk distilled*  
 4 *spirits.”.*

5 (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 6 *section shall apply distilled spirits transferred in bond after*  
 7 *December 31, 2017.*

8 ***Subpart B—Miscellaneous Provisions***

9 ***SEC. 13821. MODIFICATION OF TAX TREATMENT OF ALASKA***  
 10 ***NATIVE CORPORATIONS AND SETTLEMENT***  
 11 ***TRUSTS.***

12 (a) *EXCLUSION FOR ANCSA PAYMENTS ASSIGNED TO*  
 13 *ALASKA NATIVE SETTLEMENT TRUSTS.*—

14 (1) *IN GENERAL.*—*Part III of subchapter B of*  
 15 *chapter 1 is amended by inserting before section 140*  
 16 *the following new section:*

17 ***“SEC. 139G. ASSIGNMENTS TO ALASKA NATIVE SETTLE-***  
 18 ***MENT TRUSTS.***

19 *“(a) IN GENERAL.*—*In the case of a Native Corpora-*  
 20 *tion, gross income shall not include the value of any pay-*  
 21 *ments that would otherwise be made, or treated as being*  
 22 *made, to such Native Corporation pursuant to, or as re-*  
 23 *quired by, any provision of the Alaska Native Claims Set-*  
 24 *tlement Act (43 U.S.C. 1601 et seq.), including any pay-*  
 25 *ment that would otherwise be made to a Village Corporation*

1 *pursuant to section 7(j) of the Alaska Native Claims Settle-*  
2 *ment Act (43 U.S.C. 1606(j)), provided that any such pay-*  
3 *ments—*

4           “(1) *are assigned in writing to a Settlement*  
5 *Trust, and*

6           “(2) *were not received by such Native Corpora-*  
7 *tion prior to the assignment described in paragraph*  
8 *(1).*

9           “(b) *INCLUSION IN GROSS INCOME.—In the case of a*  
10 *Settlement Trust which has been assigned payments de-*  
11 *scribed in subsection (a), gross income shall include such*  
12 *payments when received by such Settlement Trust pursuant*  
13 *to the assignment and shall have the same character as if*  
14 *such payments were received by the Native Corporation.*

15           “(c) *AMOUNT AND SCOPE OF ASSIGNMENT.—The*  
16 *amount and scope of any assignment under subsection (a)*  
17 *shall be described with reasonable particularity and may*  
18 *either be in a percentage of one or more such payments or*  
19 *in a fixed dollar amount.*

20           “(d) *DURATION OF ASSIGNMENT; REVOCABILITY.—*  
21 *Any assignment under subsection (a) shall specify—*

22           “(1) *a duration either in perpetuity or for a pe-*  
23 *riod of time, and*

24           “(2) *whether such assignment is revocable.*

1       “(e) *PROHIBITION ON DEDUCTION.*—*Notwithstanding*  
 2 *section 247, no deduction shall be allowed to a Native Cor-*  
 3 *poration for purposes of any amounts described in sub-*  
 4 *section (a).*”

5       “(f) *DEFINITIONS.*—*For purposes of this section, the*  
 6 *terms ‘Native Corporation’ and ‘Settlement Trust’ have the*  
 7 *same meaning given such terms under section 646(h).”.*”

8           (2) *CONFORMING AMENDMENT.*—*The table of sec-*  
 9 *tions for part III of subchapter B of chapter 1 is*  
 10 *amended by inserting before the item relating to sec-*  
 11 *tion 140 the following new item:*

“*Sec. 139G. Assignments to Alaska Native Settlement Trusts.*”.

12           (3) *EFFECTIVE DATE.*—*The amendments made*  
 13 *by this subsection shall apply to taxable years begin-*  
 14 *ning after December 31, 2016.*

15       (b) *DEDUCTION OF CONTRIBUTIONS TO ALASKA NA-*  
 16 *TIVE SETTLEMENT TRUSTS.*—

17           (1) *IN GENERAL.*—*Part VIII of subchapter B of*  
 18 *chapter 1 is amended by inserting before section 248*  
 19 *the following new section:*

20 **“SEC. 247. CONTRIBUTIONS TO ALASKA NATIVE SETTLE-**  
 21 **MENT TRUSTS.**

22       “(a) *IN GENERAL.*—*In the case of a Native Corpora-*  
 23 *tion, there shall be allowed a deduction for any contribu-*  
 24 *tions made by such Native Corporation to a Settlement*  
 25 *Trust (regardless of whether an election under section 646*

1 *is in effect for such Settlement Trust) for which the Native*  
2 *Corporation has made an annual election under subsection*  
3 *(e).*

4 “(b) *AMOUNT OF DEDUCTION.*—*The amount of the de-*  
5 *duction under subsection (a) shall be equal to—*

6 “(1) *in the case of a cash contribution (regard-*  
7 *less of the method of payment, including currency,*  
8 *coins, money order, or check), the amount of such con-*  
9 *tribution, or*

10 “(2) *in the case of a contribution not described*  
11 *in paragraph (1), the lesser of—*

12 “(A) *the Native Corporation’s adjusted basis*  
13 *in the property contributed, or*

14 “(B) *the fair market value of the property*  
15 *contributed.*

16 “(c) *LIMITATION AND CARRYOVER.*—

17 “(1) *IN GENERAL.*—*Subject to paragraph (2), the*  
18 *deduction allowed under subsection (a) for any tax-*  
19 *able year shall not exceed the taxable income (as de-*  
20 *termined without regard to such deduction) of the Na-*  
21 *tive Corporation for the taxable year in which the*  
22 *contribution was made.*

23 “(2) *CARRYOVER.*—*If the aggregate amount of*  
24 *contributions described in subsection (a) for any tax-*  
25 *able year exceeds the limitation under paragraph (1),*

1       *such excess shall be treated as a contribution described*  
2       *in subsection (a) in each of the 15 succeeding years*  
3       *in order of time.*

4       “(d) *DEFINITIONS.*—*For purposes of this section, the*  
5       *terms ‘Native Corporation’ and ‘Settlement Trust’ have the*  
6       *same meaning given such terms under section 646(h).*

7       “(e) *MANNER OF MAKING ELECTION.*—

8               “(1) *IN GENERAL.*—*For each taxable year, a Na-*  
9       *tive Corporation may elect to have this section apply*  
10       *for such taxable year on the income tax return or an*  
11       *amendment or supplement to the return of the Native*  
12       *Corporation, with such election to have effect solely*  
13       *for such taxable year.*

14              “(2) *REVOCATION.*—*Any election made by a Na-*  
15       *tive Corporation pursuant to this subsection may be*  
16       *revoked pursuant to a timely filed amendment or sup-*  
17       *plement to the income tax return of such Native Cor-*  
18       *poration.*

19       “(f) *ADDITIONAL RULES.*—

20              “(1) *EARNINGS AND PROFITS.*—*Notwithstanding*  
21       *section 646(d)(2), in the case of a Native Corporation*  
22       *which claims a deduction under this section for any*  
23       *taxable year, the earnings and profits of such Native*  
24       *Corporation for such taxable year shall be reduced by*  
25       *the amount of such deduction.*



1           “(2) *GAIN OR LOSS.*—No gain or loss shall be  
2           *recognized by the Native Corporation with respect to*  
3           *a contribution of property for which a deduction is*  
4           *allowed under this section.*

5           “(3) *INCOME.*—Subject to subsection (g), a *Set-*  
6           *tlement Trust shall include in income the amount of*  
7           *any deduction allowed under this section in the tax-*  
8           *able year in which the Settlement Trust actually re-*  
9           *ceives such contribution.*

10          “(4) *PERIOD.*—The holding period under section  
11          1223 of the Settlement Trust shall include the period  
12          the property was held by the Native Corporation.

13          “(5) *BASIS.*—The basis that a Settlement Trust  
14          has for which a deduction is allowed under this sec-  
15          tion shall be equal to the lesser of—

16               “(A) the adjusted basis of the Native Cor-  
17               poration in such property immediately before  
18               such contribution, or

19               “(B) the fair market value of the property  
20               immediately before such contribution.

21          “(6) *PROHIBITION.*—No deduction shall be al-  
22          lowed under this section with respect to any contribu-  
23          tions made to a Settlement Trust which are in viola-  
24          tion of subsection (a)(2) or (c)(2) of section 39 of the

1 *Alaska Native Claims Settlement Act (43 U.S.C.*  
2 *1629e).*

3 “(g) *ELECTION BY SETTLEMENT TRUST TO DEFER IN-*  
4 *COME RECOGNITION.*—

5 “(1) *IN GENERAL.*—*In the case of a contribution*  
6 *which consists of property other than cash, a Settle-*  
7 *ment Trust may elect to defer recognition of any in-*  
8 *come related to such property until the sale or ex-*  
9 *change of such property, in whole or in part, by the*  
10 *Settlement Trust.*

11 “(2) *TREATMENT.*—*In the case of property de-*  
12 *scribed in paragraph (1), any income or gain realized*  
13 *on the sale or exchange of such property shall be*  
14 *treated as—*

15 “(A) *for such amount of the income or gain*  
16 *as is equal to or less than the amount of income*  
17 *which would be included in income at the time*  
18 *of contribution under subsection (f)(3) but for the*  
19 *taxpayer’s election under this subsection, ordi-*  
20 *nary income, and*

21 “(B) *for any amounts of the income or gain*  
22 *which are in excess of the amount of income*  
23 *which would be included in income at the time*  
24 *of contribution under subsection (f)(3) but for the*  
25 *taxpayer’s election under this subsection, having*

1           *the same character as if this subsection did not*  
2           *apply.*

3           “(3) *ELECTION.*—

4                   “(A) *IN GENERAL.*—*For each taxable year,*  
5           *a Settlement Trust may elect to apply this sub-*  
6           *section for any property described in paragraph*  
7           *(1) which was contributed during such year. Any*  
8           *property to which the election applies shall be*  
9           *identified and described with reasonable particu-*  
10           *larity on the income tax return or an amend-*  
11           *ment or supplement to the return of the Settle-*  
12           *ment Trust, with such election to have effect sole-*  
13           *ly for such taxable year.*

14                   “(B) *REVOCATION.*—*Any election made by*  
15           *a Settlement Trust pursuant to this subsection*  
16           *may be revoked pursuant to a timely filed*  
17           *amendment or supplement to the income tax re-*  
18           *turn of such Settlement Trust.*

19                   “(C) *CERTAIN DISPOSITIONS.*—

20                           “(i) *IN GENERAL.*—*In the case of any*  
21           *property for which an election is in effect*  
22           *under this subsection and which is disposed*  
23           *of within the first taxable year subsequent*  
24           *to the taxable year in which such property*  
25           *was contributed to the Settlement Trust—*

1           “(I) this section shall be applied  
2           as if the election under this subsection  
3           had not been made,

4           “(II) any income or gain which  
5           would have been included in the year  
6           of contribution under subsection (f)(3)  
7           but for the taxpayer’s election under  
8           this subsection shall be included in in-  
9           come for the taxable year of such con-  
10          tribution, and

11          “(III) the Settlement Trust shall  
12          pay any increase in tax resulting from  
13          such inclusion, including any applica-  
14          ble interest, and increased by 10 per-  
15          cent of the amount of such increase  
16          with interest.

17          “(ii) ASSESSMENT.—Notwithstanding  
18          section 6501(a), any amount described in  
19          subclause (III) of clause (i) may be assessed,  
20          or a proceeding in court with respect to  
21          such amount may be initiated without as-  
22          sessment, within 4 years after the date on  
23          which the return making the election under  
24          this subsection for such property was filed.”.

1           (2) *CONFORMING AMENDMENT.*—*The table of sec-*  
2           *tions for part VIII of subchapter B of chapter 1 is*  
3           *amended by inserting before the item relating to sec-*  
4           *tion 248 the following new item:*

“*Sec. 247. Contributions to Alaska Native Settlement Trusts.*”.

5           (3) *EFFECTIVE DATE.*—

6           (A) *IN GENERAL.*—*The amendments made*  
7           *by this subsection shall apply to taxable years*  
8           *for which the period of limitation on refund or*  
9           *credit under section 6511 of the Internal Rev-*  
10           *enue Code of 1986 has not expired.*

11           (B) *ONE-YEAR WAIVER OF STATUTE OF LIM-*  
12           *ITATIONS.*—*If the period of limitation on a cred-*  
13           *it or refund resulting from the amendments*  
14           *made by paragraph (1) expires before the end of*  
15           *the 1-year period beginning on the date of the*  
16           *enactment of this Act, refund or credit of such*  
17           *overpayment (to the extent attributable to such*  
18           *amendments) may, nevertheless, be made or al-*  
19           *lowed if claim therefor is filed before the close of*  
20           *such 1-year period.*

21           (c) *INFORMATION REPORTING FOR DEDUCTIBLE CON-*  
22           *TRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.*—

23           (1) *IN GENERAL.*—*Section 6039H is amended—*

24           (A) *in the heading, by striking “SPON-*  
25           *SORING”, and*

1                   (B) by adding at the end the following new  
2                   subsection:

3                   “(e) *DEDUCTIBLE CONTRIBUTIONS BY NATIVE COR-*  
4 *PORATIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—*

5                   “(1) *IN GENERAL.—Any Native Corporation (as*  
6 *defined in subsection (m) of section 3 of the Alaska*  
7 *Native Claims Settlement Act (43 U.S.C. 1602(m))*  
8 *which has made a contribution to a Settlement Trust*  
9 *(as defined in subsection (t) of such section) to which*  
10 *an election under subsection (e) of section 247 applies*  
11 *shall provide such Settlement Trust with a statement*  
12 *regarding such election not later than January 31 of*  
13 *the calendar year subsequent to the calendar year in*  
14 *which the contribution was made.*

15                   “(2) *CONTENT OF STATEMENT.—The statement*  
16 *described in paragraph (1) shall include—*

17                   “(A) *the total amount of contributions to*  
18 *which the election under subsection (e) of section*  
19 *247 applies,*

20                   “(B) *for each contribution, whether such*  
21 *contribution was in cash,*

22                   “(C) *for each contribution which consists of*  
23 *property other than cash, the date that such*  
24 *property was acquired by the Native Corporation*  
25 *and the adjusted basis and fair market value of*

1           *such property on the date such property was con-*  
 2           *tributed to the Settlement Trust,*

3           “(D) *the date on which each contribution*  
 4           *was made to the Settlement Trust, and*

5           “(E) *such information as the Secretary de-*  
 6           *termines to be necessary or appropriate for the*  
 7           *identification of each contribution and the accu-*  
 8           *rate inclusion of income relating to such con-*  
 9           *tributions by the Settlement Trust.”.*

10           (2) *CONFORMING AMENDMENT.—The item relat-*  
 11           *ing to section 6039H in the table of sections for sub-*  
 12           *part A of part III of subchapter A of chapter 61 is*  
 13           *amended to read as follows:*

          “*Sec. 6039H. Information With Respect to Alaska Native Settlement Trusts and*  
           *Native Corporations.”.*

14           (3) *EFFECTIVE DATE.—The amendments made*  
 15           *by this subsection shall apply to taxable years begin-*  
 16           *ning after December 31, 2016.*

17 **SEC. 13822. AMOUNTS PAID FOR AIRCRAFT MANAGEMENT**  
 18           **SERVICES.**

19           (a) *IN GENERAL.—Subsection (e) of section 4261 is*  
 20           *amended by adding at the end the following new paragraph:*

21           “(5) *AMOUNTS PAID FOR AIRCRAFT MANAGE-*  
 22           *MENT SERVICES.—*

23           “(A) *IN GENERAL.—No tax shall be imposed*  
 24           *by this section or section 4271 on any amounts*

1           *paid by an aircraft owner for aircraft manage-*  
2           *ment services related to—*

3                   “(i) *maintenance and support of the*  
4                   *aircraft owner’s aircraft, or*

5                   “(ii) *flights on the aircraft owner’s air-*  
6                   *craft.*

7                   “(B) *AIRCRAFT MANAGEMENT SERVICES.—*  
8           *For purposes of subparagraph (A), the term ‘air-*  
9           *craft management services’ includes—*

10                   “(i) *assisting an aircraft owner with*  
11                   *administrative and support services, such*  
12                   *as scheduling, flight planning, and weather*  
13                   *forecasting,*

14                   “(ii) *obtaining insurance,*

15                   “(iii) *maintenance, storage and fueling*  
16                   *of aircraft,*

17                   “(iv) *hiring, training, and provision of*  
18                   *pilots and crew,*

19                   “(v) *establishing and complying with*  
20                   *safety standards, and*

21                   “(vi) *such other services as are nec-*  
22                   *essary to support flights operated by an air-*  
23                   *craft owner.*

24                   “(C) *LESSEE TREATED AS AIRCRAFT*  
25           *OWNER.—*



1           “(i) *IN GENERAL.*—For purposes of  
2           this paragraph, the term ‘aircraft owner’  
3           includes a person who leases the aircraft  
4           other than under a disqualified lease.

5           “(ii) *DISQUALIFIED LEASE.*—For pur-  
6           poses of clause (i), the term ‘disqualified  
7           lease’ means a lease from a person pro-  
8           viding aircraft management services with  
9           respect to such aircraft (or a related person  
10          (within the meaning of section  
11          465(b)(3)(C)) to the person providing such  
12          services), if such lease is for a term of 31  
13          days or less.

14          “(D) *PRO RATA ALLOCATION.*—In the case  
15          of amounts paid to any person which (but for  
16          this subsection) are subject to the tax imposed by  
17          subsection (a), a portion of which consists of  
18          amounts described in subparagraph (A), this  
19          paragraph shall apply on a pro rata basis only  
20          to the portion which consists of amounts de-  
21          scribed in such subparagraph.”.

22          (b) *EFFECTIVE DATE.*—The amendment made by this  
23          section shall apply to amounts paid after the date of the  
24          enactment of this Act.

1 **SEC. 13823. OPPORTUNITY ZONES.**

2 (a) *IN GENERAL.*—Chapter 1 is amended by adding  
3 at the end the following:

4 **“Subchapter Z—Opportunity Zones**

“Sec. 1400Z-1. Designation.

“Sec. 1400Z-2. Special rules for capital gains invested in opportunity zones.

5 **“SEC. 1400Z-1. DESIGNATION.**

6 “(a) *QUALIFIED OPPORTUNITY ZONE DEFINED.*—For  
7 the purposes of this subchapter, the term ‘qualified oppor-  
8 tunity zone’ means a population census tract that is a low-  
9 income community that is designated as a qualified oppor-  
10 tunity zone.

11 “(b) *DESIGNATION.*—

12 “(1) *IN GENERAL.*—For purposes of subsection  
13 (a), a population census tract that is a low-income  
14 community is designated as a qualified opportunity  
15 zone if—

16 “(A) not later than the end of the deter-  
17 mination period, the chief executive officer of the  
18 State in which the tract is located—

19 “(i) nominates the tract for designa-  
20 tion as a qualified opportunity zone, and

21 “(ii) notifies the Secretary in writing  
22 of such nomination, and

23 “(B) the Secretary certifies such nomina-  
24 tion and designates such tract as a qualified op-

1            *portunity zone before the end of the consideration*  
2            *period.*

3            “(2) *EXTENSION OF PERIODS.*—*A chief executive*  
4            *officer of a State may request that the Secretary ex-*  
5            *tend either the determination or consideration period,*  
6            *or both (determined without regard to this subpara-*  
7            *graph), for an additional 30 days.*

8            “(c) *OTHER DEFINITIONS.*—*For purposes of this sub-*  
9            *section—*

10            “(1) *LOW-INCOME COMMUNITIES.*—*The term*  
11            *‘low-income community’ has the same meaning as*  
12            *when used in section 45D(e).*

13            “(2) *DEFINITION OF PERIODS.*—

14            “(A) *CONSIDERATION PERIOD.*—*The term*  
15            *‘consideration period’ means the 30-day period*  
16            *beginning on the date on which the Secretary re-*  
17            *ceives notice under subsection (b)(1)(A)(ii), as*  
18            *extended under subsection (b)(2).*

19            “(B) *DETERMINATION PERIOD.*—*The term*  
20            *‘determination period’ means the 90-day period*  
21            *beginning on the date of the enactment of the*  
22            *Tax Cuts and Jobs Act, as extended under sub-*  
23            *section (b)(2).*

1           “(3) *STATE.*—*For purposes of this section, the*  
2 *term ‘State’ includes any possession of the United*  
3 *States.*

4           “(d) *NUMBER OF DESIGNATIONS.*—

5           “(1) *IN GENERAL.*—*Except as provided by para-*  
6 *graph (2), the number of population census tracts in*  
7 *a State that may be designated as qualified oppor-*  
8 *tunity zones under this section may not exceed 25*  
9 *percent of the number of low-income communities in*  
10 *the State.*

11           “(2) *EXCEPTION.*—*If the number of low-income*  
12 *communities in a State is less than 100, then a total*  
13 *of 25 of such tracts may be designated as qualified*  
14 *opportunity zones.*

15           “(e) *DESIGNATION OF TRACTS CONTIGUOUS WITH*  
16 *LOW-INCOME COMMUNITIES.*—

17           “(1) *IN GENERAL.*—*A population census tract*  
18 *that is not a low-income community may be des-*  
19 *ignated as a qualified opportunity zone under this*  
20 *section if—*

21           “(A) *the tract is contiguous with the low-in-*  
22 *come community that is designated as a quali-*  
23 *fied opportunity zone, and*

24           “(B) *the median family income of the tract*  
25 *does not exceed 125 percent of the median family*

1           *income of the low-income community with which*  
2           *the tract is contiguous.*

3           “(2) *LIMITATION.*—*Not more than 5 percent of*  
4           *the population census tracts designated in a State as*  
5           *a qualified opportunity zone may be designated under*  
6           *paragraph (1).*

7           “(f) *PERIOD FOR WHICH DESIGNATION IS IN EF-*  
8           *FECT.*—*A designation as a qualified opportunity zone shall*  
9           *remain in effect for the period beginning on the date of the*  
10           *designation and ending at the close of the 10th calendar*  
11           *year beginning on or after such date of designation.*

12           **“SEC. 1400Z-2. SPECIAL RULES FOR CAPITAL GAINS IN-**  
13           **VESTED IN OPPORTUNITY ZONES.**

14           “(a) *IN GENERAL.*—

15           “(1) *TREATMENT OF GAINS.*—*In the case of gain*  
16           *from the sale to, or exchange with, an unrelated per-*  
17           *son of any property held by the taxpayer, at the elec-*  
18           *tion of the taxpayer—*

19                   “(A) *gross income for the taxable year shall*  
20                   *not include so much of such gain as does not ex-*  
21                   *ceed the aggregate amount invested by the tax-*  
22                   *payer in a qualified opportunity fund during*  
23                   *the 180-day period beginning on the date of such*  
24                   *sale or exchange,*

1           “(B) the amount of gain excluded by sub-  
2           paragraph (A) shall be included in gross income  
3           as provided by subsection (b), and

4           “(C) subsection (c) shall apply.

5           “(2) *ELECTION.*—No election may be made  
6           under paragraph (1)—

7           “(A) with respect to a sale or exchange if an  
8           election previously made with respect to such  
9           sale or exchange is in effect, or

10           “(B) with respect to any sale or exchange  
11           after December 31, 2026.

12           “(b) *DEFERRAL OF GAIN INVESTED IN OPPORTUNITY*  
13           *ZONE PROPERTY.*—

14           “(1) *YEAR OF INCLUSION.*—Gain to which sub-  
15           section (a)(1)(B) applies shall be included in income  
16           in the taxable year which includes the earlier of—

17           “(A) the date on which such investment is  
18           sold or exchanged, or

19           “(B) December 31, 2026.

20           “(2) *AMOUNT INCLUDIBLE.*—

21           “(A) *IN GENERAL.*—The amount of gain in-  
22           cluded in gross income under subsection  
23           (a)(1)(A) shall be the excess of—

24           “(i) the lesser of the amount of gain ex-  
25           cluded under paragraph (1) or the fair

1 market value of the investment as deter-  
2 mined as of the date described in paragraph  
3 (1), over

4 “(ii) the taxpayer’s basis in the invest-  
5 ment.

6 “(B) DETERMINATION OF BASIS.—

7 “(i) IN GENERAL.—Except as otherwise  
8 provided in this clause or subsection (c), the  
9 taxpayer’s basis in the investment shall be  
10 zero.

11 “(ii) INCREASE FOR GAIN RECOGNIZED  
12 UNDER SUBSECTION (a)(1)(B).—The basis  
13 in the investment shall be increased by the  
14 amount of gain recognized by reason of sub-  
15 section (a)(1)(B) with respect to such prop-  
16 erty.

17 “(iii) INVESTMENTS HELD FOR 5  
18 YEARS.—In the case of any investment held  
19 for at least 5 years, the basis of such invest-  
20 ment shall be increased by an amount equal  
21 to 10 percent of the amount of gain deferred  
22 by reason of subsection (a)(1)(A).

23 “(iv) INVESTMENTS HELD FOR 7  
24 YEARS.—In the case of any investment held  
25 by the taxpayer for at least 7 years, in ad-

1            *dition to any adjustment made under clause*  
2            *(iii), the basis of such property shall be in-*  
3            *creased by an amount equal to 5 percent of*  
4            *the amount of gain deferred by reason of*  
5            *subsection (a)(1)(A).*

6            *“(c) SPECIAL RULE FOR INVESTMENTS HELD FOR AT*  
7            *LEAST 10 YEARS.—In the case of any investment held by*  
8            *the taxpayer for at least 10 years and with respect to which*  
9            *the taxpayer makes an election under this clause, the basis*  
10           *of such property shall be equal to the fair market value of*  
11           *such investment on the date that the investment is sold or*  
12           *exchanged.*

13           *“(d) QUALIFIED OPPORTUNITY FUND.—For purposes*  
14           *of this section—*

15           *“(1) IN GENERAL.—The term ‘qualified oppor-*  
16           *tunity fund’ means any investment vehicle which is*  
17           *organized as a corporation or a partnership for the*  
18           *purpose of investing in qualified opportunity zone*  
19           *property (other than another qualified opportunity*  
20           *fund) that holds at least 90 percent of its assets in*  
21           *qualified opportunity zone property, determined by*  
22           *the average of the percentage of qualified opportunity*  
23           *zone property held in the fund as measured—*

24           *“(A) on the last day of the first 6-month pe-*  
25           *riod of the taxable year of the fund, and*



1           “(B) on the last day of the taxable year of  
2           the fund.

3           “(2) QUALIFIED OPPORTUNITY ZONE PROP-  
4           PERTY.—

5           “(A) IN GENERAL.—The term ‘qualified op-  
6           portunity zone property’ means property which  
7           is—

8                   “(i) qualified opportunity zone stock,

9                   “(ii) qualified opportunity zone part-  
10                  nership interest, or

11                  “(iii) qualified opportunity zone busi-  
12                  ness property.

13           “(B) QUALIFIED OPPORTUNITY ZONE  
14           STOCK.—

15           “(i) IN GENERAL.—Except as provided  
16           in clause (ii), the term ‘qualified oppor-  
17           tunity zone stock’ means any stock in a do-  
18           mestic corporation if—

19                   “(I) such stock is acquired by the  
20                   qualified opportunity fund after De-  
21                   cember 31, 2017, at its original issue  
22                   (directly or through an underwriter)  
23                   from the corporation solely in exchange  
24                   for cash,

1                   “(II) as of the time such stock was  
2                   issued, such corporation was a quali-  
3                   fied opportunity zone business (or, in  
4                   the case of a new corporation, such cor-  
5                   poration was being organized for pur-  
6                   poses of being a qualified opportunity  
7                   zone business), and

8                   “(III) during substantially all of  
9                   the qualified opportunity fund’s hold-  
10                  ing period for such stock, such corpora-  
11                  tion qualified as a qualified oppor-  
12                  tunity zone business.

13                  “(ii) REDEMPTIONS.—A rule similar  
14                  to the rule of section 1202(c)(3) shall apply  
15                  for purposes of this paragraph.

16                  “(C) QUALIFIED OPPORTUNITY ZONE PART-  
17                  NERSHIP INTEREST.—The term ‘qualified oppor-  
18                  tunity zone partnership interest’ means any cap-  
19                  ital or profits interest in a domestic partnership  
20                  if—

21                  “(i) such interest is acquired by the  
22                  qualified opportunity fund after December  
23                  31, 2017, from the partnership solely in ex-  
24                  change for cash,

1           “(ii) as of the time such interest was  
2           acquired, such partnership was a qualified  
3           opportunity zone business (or, in the case of  
4           a new partnership, such partnership was  
5           being organized for purposes of being a  
6           qualified opportunity zone business), and

7           “(iii) during substantially all of the  
8           qualified opportunity fund’s holding period  
9           for such interest, such partnership qualified  
10          as a qualified opportunity zone business.

11          “(D) *QUALIFIED OPPORTUNITY ZONE BUSI-*  
12          *NESS PROPERTY.*—

13               “(i) *IN GENERAL.*—The term ‘qualified  
14               opportunity zone business property’ means  
15               tangible property used in a trade or busi-  
16               ness of the qualified opportunity fund if—

17                       “(I) such property was acquired  
18                       by the qualified opportunity fund by  
19                       purchase (as defined in section  
20                       179(d)(2)) after December 31, 2017,

21                       “(II) the original use of such  
22                       property in the qualified opportunity  
23                       zone commences with the qualified op-  
24                       portunity fund or the qualified oppor-

1                    *tunity fund substantially improves the*  
2                    *property, and*

3                    “(III) *during substantially all of*  
4                    *the qualified opportunity fund’s hold-*  
5                    *ing period for such property, substan-*  
6                    *tially all of the use of such property*  
7                    *was in a qualified opportunity zone.*

8                    “(ii) *SUBSTANTIAL IMPROVEMENT.—*  
9                    *For purposes of subparagraph (A)(i), prop-*  
10                    *erty shall be treated as substantially im-*  
11                    *proved by the qualified opportunity fund*  
12                    *only if, during any 30-month period begin-*  
13                    *ning after the date of acquisition of such*  
14                    *property, additions to basis with respect to*  
15                    *such property in the hands of the qualified*  
16                    *opportunity fund exceed an amount equal*  
17                    *to the adjusted basis of such property at the*  
18                    *beginning of such 30-month period in the*  
19                    *hands of the qualified opportunity fund.*

20                    “(iii) *RELATED PARTY.—For purposes*  
21                    *of subparagraph (A)(i), the related person*  
22                    *rule of section 179(d)(2) shall be applied*  
23                    *pursuant to paragraph (8) of this sub-*  
24                    *section in lieu of the application of such*  
25                    *rule in section 179(d)(2)(A).*

1           “(3) *QUALIFIED OPPORTUNITY ZONE BUSI-*  
2 *NESS.—*—

3           “(A) *IN GENERAL.—The term ‘qualified op-*  
4 *portunity zone business’ means a trade or busi-*  
5 *ness—*

6                   “(i) *in which substantially all of the*  
7 *tangible property owned or leased by the*  
8 *taxpayer is qualified opportunity zone busi-*  
9 *ness property (determined by substituting*  
10 *‘qualified opportunity zone business’ for*  
11 *‘qualified opportunity fund’ each place it*  
12 *appears in paragraph (2)(D)),*

13                   “(ii) *which satisfies the requirements of*  
14 *paragraphs (2), (4), and (8) of section*  
15 *1397C(b), and*

16                   “(iii) *which is not described in section*  
17 *144(c)(6)(B).*

18           “(B) *SPECIAL RULE.—For purposes of sub-*  
19 *paragraph (A), tangible property that ceases to*  
20 *be a qualified opportunity zone business prop-*  
21 *erty shall continue to be treated as a qualified*  
22 *opportunity zone business property for the lesser*  
23 *of—*

1                   “(i) 5 years after the date on which  
2                   such tangible property ceases to be so quali-  
3                   fied, or

4                   “(ii) the date on which such tangible  
5                   property is no longer held by the qualified  
6                   opportunity zone business.

7                   “(e) *APPLICABLE RULES.*—

8                   “(1) *TREATMENT OF INVESTMENTS WITH MIXED*  
9                   *FUNDS.*—*In the case of any investment in a qualified*  
10                   *opportunity fund only a portion of which consists of*  
11                   *investments of gain to which an election under sub-*  
12                   *section (a) is in effect—*

13                   “(A) such investment shall be treated as 2  
14                   separate investments, consisting of—

15                   “(i) one investment that only includes  
16                   amounts to which the election under sub-  
17                   section (a) applies, and

18                   “(ii) a separate investment consisting  
19                   of other amounts, and

20                   “(B) subsections (a), (b), and (c) shall only  
21                   apply to the investment described in subpara-  
22                   graph (A)(i).

23                   “(2) *RELATED PERSONS.*—*For purposes of this*  
24                   *section, persons are related to each other if such per-*  
25                   *sons are described in section 267(b) or 707(b)(1), de-*

1 *terminated by substituting ‘20 percent’ for ‘50 percent’*  
2 *each place it occurs in such sections.*

3 “(3) *DECEDENTS.*—*In the case of a decedent,*  
4 *amounts recognized under this section shall, if not*  
5 *properly includible in the gross income of the dece-*  
6 *dent, be includible in gross income as provided by sec-*  
7 *tion 691.*

8 “(4) *REGULATIONS.*—*The Secretary shall pre-*  
9 *scribe such regulations as may be necessary or appro-*  
10 *priate to carry out the purposes of this section, in-*  
11 *cluding—*

12 “(A) *rules for the certification of qualified*  
13 *opportunity funds for the purposes of this sec-*  
14 *tion,*

15 “(B) *rules to ensure a qualified opportunity*  
16 *fund has a reasonable period of time to reinvest*  
17 *the return of capital from investments in quali-*  
18 *fied opportunity zone stock and qualified oppor-*  
19 *tunity zone partnership interests, and to reinvest*  
20 *proceeds received from the sale or disposition of*  
21 *qualified opportunity zone property, and*

22 “(C) *rules to prevent abuse.*

23 “(f) *FAILURE OF QUALIFIED OPPORTUNITY FUND TO*  
24 *MAINTAIN INVESTMENT STANDARD.*—

1           “(1) *IN GENERAL.*—If a qualified opportunity  
2 fund fails to meet the 90-percent requirement of sub-  
3 section (c)(1), the qualified opportunity fund shall  
4 pay a penalty for each month it fails to meet the re-  
5 quirement in an amount equal to the product of—

6           “(A) the excess of—

7           “(i) the amount equal to 90 percent of  
8 its aggregate assets, over

9           “(ii) the aggregate amount of qualified  
10 opportunity zone property held by the fund,  
11 multiplied by

12           “(B) the underpayment rate established  
13 under section 6621(a)(2) for such month.

14           “(2) *SPECIAL RULE FOR PARTNERSHIPS.*—In the  
15 case that the qualified opportunity fund is a partner-  
16 ship, the penalty imposed by paragraph (1) shall be  
17 taken into account proportionately as part of the dis-  
18 tributive share of each partner of the partnership.

19           “(3) *REASONABLE CAUSE EXCEPTION.*—No pen-  
20 alty shall be imposed under this subsection with re-  
21 spect to any failure if it is shown that such failure  
22 is due to reasonable cause.”.

23           “(b) *BASIS ADJUSTMENTS.*—Section 1016(a) is amend-  
24 ed by striking “and” at the end of paragraph (36), by strik-  
25 ing the period at the end of paragraph (37) and inserting



1 “, and”, and by inserting after paragraph (37) the fol-  
 2 lowing:

3 “(38) to the extent provided in subsections (b)(2)  
 4 and (c) of section 1400Z-2.”.

5 (c) *CLERICAL AMENDMENT.*—The table of subchapters  
 6 for chapter 1 is amended by adding at the end the following  
 7 new item:

“SUBCHAPTER Z. OPPORTUNITY ZONES”.

8 (d) *EFFECTIVE DATE.*—The amendments made by this  
 9 section shall take effect on the date of the enactment of this  
 10 Act.

## 11 ***Subtitle D—International Tax*** 12 ***Provisions***

### 13 ***PART I—OUTBOUND TRANSACTIONS***

#### 14 ***Subpart A—Establishment of Participation***

#### 15 ***Exemption System for Taxation of Foreign Income***

#### 16 ***SEC. 14101. DEDUCTION FOR FOREIGN-SOURCE PORTION*** 17 ***OF DIVIDENDS RECEIVED BY DOMESTIC COR-*** 18 ***PORATIONS FROM SPECIFIED 10-PERCENT*** 19 ***OWNED FOREIGN CORPORATIONS.***

20 (a) *IN GENERAL.*—Part VIII of subchapter B of chap-  
 21 ter 1 is amended by inserting after section 245 the following  
 22 new section:

1 **“SEC. 245A. DEDUCTION FOR FOREIGN SOURCE-POR-TION**  
2 **OF DIVIDENDS RECEIVED BY DOMESTIC COR-**  
3 **PORATIONS FROM SPECIFIED 10-PERCENT**  
4 **OWNED FOREIGN CORPORATIONS.**

5 “(a) *IN GENERAL.*—*In the case of any dividend re-*  
6 *ceived from a specified 10-percent owned foreign corpora-*  
7 *tion by a domestic corporation which is a United States*  
8 *shareholder with respect to such foreign corporation, there*  
9 *shall be allowed as a deduction an amount equal to the for-*  
10 *ign-source portion of such dividend.*

11 “(b) *SPECIFIED 10-PERCENT OWNED FOREIGN COR-*  
12 *PORATION.*—*For purposes of this section—*

13 “(1) *IN GENERAL.*—*The term ‘specified 10-per-*  
14 *cent owned foreign corporation’ means any foreign*  
15 *corporation with respect to which any domestic cor-*  
16 *poration is a United States shareholder with respect*  
17 *to such corporation.*

18 “(2) *EXCLUSION OF PASSIVE FOREIGN INVEST-*  
19 *MENT COMPANIES.*—*Such term shall not include any*  
20 *corporation which is a passive foreign investment*  
21 *company (as defined in section 1297) with respect to*  
22 *the shareholder and which is not a controlled foreign*  
23 *corporation.*

24 “(c) *FOREIGN-SOURCE PORTION.*—*For purposes of this*  
25 *section—*

1           “(1) *IN GENERAL.*—*The foreign-source portion of*  
2 *any dividend from a specified 10-percent owned for-*  
3 *foreign corporation is an amount which bears the same*  
4 *ratio to such dividend as—*

5                   “(A) *the undistributed foreign earnings of*  
6 *the specified 10-percent owned foreign corpora-*  
7 *tion, bears to*

8                   “(B) *the total undistributed earnings of*  
9 *such foreign corporation.*

10           “(2) *UNDISTRIBUTED EARNINGS.*—*The term ‘un-*  
11 *distributed earnings’ means the amount of the earn-*  
12 *ings and profits of the specified 10-percent owned for-*  
13 *foreign corporation (computed in accordance with sec-*  
14 *tions 964(a) and 986)—*

15                   “(A) *as of the close of the taxable year of the*  
16 *specified 10-percent owned foreign corporation in*  
17 *which the dividend is distributed, and*

18                   “(B) *without diminution by reason of divi-*  
19 *dends distributed during such taxable year.*

20           “(3) *UNDISTRIBUTED FOREIGN EARNINGS.*—*The*  
21 *term ‘undistributed foreign earnings’ means the por-*  
22 *tion of the undistributed earnings which is attrib-*  
23 *utable to neither—*

24                   “(A) *income described in subparagraph (A)*  
25 *of section 245(a)(5), nor*

1           “(B) dividends described in subparagraph  
2           (B) of such section (determined without regard to  
3           section 245(a)(12)).

4           “(d) *DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.*—

5           “(1) *IN GENERAL.*—No credit shall be allowed  
6           under section 901 for any taxes paid or accrued (or  
7           treated as paid or accrued) with respect to any divi-  
8           dend for which a deduction is allowed under this sec-  
9           tion.

10           “(2) *DENIAL OF DEDUCTION.*—No deduction  
11           shall be allowed under this chapter for any tax for  
12           which credit is not allowable under section 901 by  
13           reason of paragraph (1) (determined by treating the  
14           taxpayer as having elected the benefits of subpart A  
15           of part III of subchapter N).

16           “(e) *SPECIAL RULES FOR HYBRID DIVIDENDS.*—

17           “(1) *IN GENERAL.*—Subsection (a) shall not  
18           apply to any dividend received by a United States  
19           shareholder from a controlled foreign corporation if  
20           the dividend is a hybrid dividend.

21           “(2) *HYBRID DIVIDENDS OF TIERED CORPORA-*  
22           *TIONS.*—If a controlled foreign corporation with re-  
23           spect to which a domestic corporation is a United  
24           States shareholder receives a hybrid dividend from  
25           any other controlled foreign corporation with respect

1     *to which such domestic corporation is also a United*  
2     *States shareholder, then, notwithstanding any other*  
3     *provision of this title—*

4             *“(A) the hybrid dividend shall be treated for*  
5             *purposes of section 951(a)(1)(A) as subpart F in-*  
6             *come of the receiving controlled foreign corpora-*  
7             *tion for the taxable year of the controlled foreign*  
8             *corporation in which the dividend was received,*  
9             *and*

10            *“(B) the United States shareholder shall in-*  
11            *clude in gross income an amount equal to the*  
12            *shareholder’s pro rata share (determined in the*  
13            *same manner as under section 951(a)(2)) of the*  
14            *subpart F income described in subparagraph*  
15            *(A).*

16            *“(3) DENIAL OF FOREIGN TAX CREDIT, ETC.—*  
17            *The rules of subsection (d) shall apply to any hybrid*  
18            *dividend received by, or any amount included under*  
19            *paragraph (2) in the gross income of, a United States*  
20            *shareholder.*

21            *“(4) HYBRID DIVIDEND.—The term ‘hybrid divi-*  
22            *dend’ means an amount received from a controlled*  
23            *foreign corporation—*

1           “(A) for which a deduction would be al-  
2           lowed under subsection (a) but for this sub-  
3           section, and

4           “(B) for which the controlled foreign cor-  
5           poration received a deduction (or other tax ben-  
6           efit) with respect to any income, war profits, or  
7           excess profits taxes imposed by any foreign coun-  
8           try or possession of the United States.

9           “(f) *SPECIAL RULE FOR PURGING DISTRIBUTIONS OF*  
10 *PASSIVE FOREIGN INVESTMENT COMPANIES.*—Any amount  
11 *which is treated as a dividend under section 1291(d)(2)(B)*  
12 *shall not be treated as a dividend for purposes of this sec-*  
13 *tion.*

14          “(g) *REGULATIONS.*—The Secretary shall prescribe  
15 *such regulations or other guidance as may be necessary or*  
16 *appropriate to carry out the provisions of this section, in-*  
17 *cluding regulations for the treatment of United States*  
18 *shareholders owning stock of a specified 10 percent owned*  
19 *foreign corporation through a partnership.”.*

20          (b) *APPLICATION OF HOLDING PERIOD REQUIRE-*  
21 *MENT.*—Subsection (c) of section 246 is amended—

22               (1) by striking “or 245” in paragraph (1) and  
23               inserting “245, or 245A”, and

24               (2) by adding at the end the following new para-  
25               graph:

1           “(5) *SPECIAL RULES FOR FOREIGN SOURCE POR-*  
2           *TION OF DIVIDENDS RECEIVED FROM SPECIFIED 10-*  
3           *PERCENT OWNED FOREIGN CORPORATIONS.—*

4                   “(A) *1-YEAR HOLDING PERIOD REQUIRE-*  
5           *MENT.—For purposes of section 245A—*

6                           “(i) *paragraph (1)(A) shall be ap-*  
7                           *plied—*

8                                   “(I) *by substituting ‘365 days’ for*  
9                                   *‘45 days’ each place it appears, and*

10                                   “(II) *by substituting ‘731-day pe-*  
11                                   *riod’ for ‘91-day period’, and*

12                                   “(ii) *paragraph (2) shall not apply.*

13                   “(B) *STATUS MUST BE MAINTAINED DURING*  
14           *HOLDING PERIOD.—For purposes of applying*  
15           *paragraph (1) with respect to section 245A, the*  
16           *taxpayer shall be treated as holding the stock re-*  
17           *ferred to in paragraph (1) for any period only*  
18           *if—*

19                           “(i) *the specified 10-percent owned for-*  
20                           *oreign corporation referred to in section*  
21                           *245A(a) is a specified 10-percent owned for-*  
22                           *oreign corporation at all times during such*  
23                           *period, and*

24                           “(ii) *the taxpayer is a United States*  
25                           *shareholder with respect to such specified*

1                   10-percent owned foreign corporation at all  
2                   times during such period.”.

3           (c) *APPLICATION OF RULES GENERALLY APPLICABLE*  
4 *TO DEDUCTIONS FOR DIVIDENDS RECEIVED.*—

5                   (1) *TREATMENT OF DIVIDENDS FROM CERTAIN*  
6 *CORPORATIONS.*—Paragraph (1) of section 246(a) is  
7 amended by striking “and 245” and inserting “245,  
8 and 245A”.

9                   (2) *COORDINATION WITH SECTION 1059.*—Sub-  
10 paragraph (B) of section 1059(b)(2) is amended by  
11 striking “or 245” and inserting “245, or 245A”.

12           (d) *COORDINATION WITH FOREIGN TAX CREDIT LIM-*  
13 *ITATION.*—Subsection (b) of section 904 is amended by add-  
14 ing at the end the following new paragraph:

15                   “(5) *TREATMENT OF DIVIDENDS FOR WHICH DE-*  
16 *DUCTION IS ALLOWED UNDER SECTION 245A.*—For  
17 purposes of subsection (a), in the case of a domestic  
18 corporation which is a United States shareholder with  
19 respect to a specified 10-percent owned foreign cor-  
20 poration, such shareholder’s taxable income from  
21 sources without the United States (and entire taxable  
22 income) shall be determined without regard to—

23                           “(A) the foreign-source portion of any divi-  
24                           dend received from such foreign corporation, and



1           “(B) any deductions properly allocable or  
2           apportioned to—

3                   “(i) income (other than amounts in-  
4                   cludible under section 951(a)(1) or 951A(a))  
5                   with respect to stock of such specified 10-  
6                   percent owned foreign corporation, or

7                   “(ii) such stock to the extent income  
8                   with respect to such stock is other than  
9                   amounts includible under section 951(a)(1)  
10                  or 951A(a).

11           *Any term which is used in section 245A and in this*  
12           *paragraph shall have the same meaning for purposes*  
13           *of this paragraph as when used in such section.”.*

14           (e) *CONFORMING AMENDMENTS.*—

15                   (1) *Subsection (b) of section 951 is amended by*  
16                   *striking “subpart” and inserting “title”.*

17                   (2) *Subsection (a) of section 957 is amended by*  
18                   *striking “subpart” in the matter preceding paragraph*  
19                   *(1) and inserting “title”.*

20                   (3) *The table of sections for part VIII of sub-*  
21                   *chapter B of chapter 1 is amended by inserting after*  
22                   *the item relating to section 245 the following new*  
23                   *item:*

“Sec. 245A. *Deduction for foreign source-portion of dividends received by domes-*  
*tic corporations from certain 10-percent owned foreign corpora-*  
*tions.”.*

1       (f) *EFFECTIVE DATE.*—*The amendments made by this*  
2 *section shall apply to distributions made after (and, in the*  
3 *case of the amendments made by subsection (d), deductions*  
4 *with respect to taxable years ending after) December 31,*  
5 *2017.*

6 **SEC. 14102. SPECIAL RULES RELATING TO SALES OR TRANS-**  
7 **FERS INVOLVING SPECIFIED 10-PERCENT**  
8 **OWNED FOREIGN CORPORATIONS.**

9       (a) *SALES BY UNITED STATES PERSONS OF STOCK.*—

10           (1) *IN GENERAL.*—*Section 1248 is amended by*  
11 *redesignating subsection (j) as subsection (k) and by*  
12 *inserting after subsection (i) the following new sub-*  
13 *section:*

14       “(j) *COORDINATION WITH DIVIDENDS RECEIVED DE-*  
15 *DUCTION.*—*In the case of the sale or exchange by a domestic*  
16 *corporation of stock in a foreign corporation held for 1 year*  
17 *or more, any amount received by the domestic corporation*  
18 *which is treated as a dividend by reason of this section shall*  
19 *be treated as a dividend for purposes of applying section*  
20 *245A.”.*

21           (2) *EFFECTIVE DATE.*—*The amendments made*  
22 *by this subsection shall apply to sales or exchanges*  
23 *after December 31, 2017.*

1       **(b) BASIS IN SPECIFIED 10-PERCENT OWNED FOREIGN**  
2 **CORPORATION REDUCED BY NONTAXED PORTION OF DIVI-**  
3 **DEND FOR PURPOSES OF DETERMINING LOSS.—**

4           **(1) IN GENERAL.—**Section 961 is amended by  
5 adding at the end the following new subsection:

6       **“(d) BASIS IN SPECIFIED 10-PERCENT OWNED FOR-**  
7 **EIGN CORPORATION REDUCED BY NONTAXED PORTION OF**  
8 **DIVIDEND FOR PURPOSES OF DETERMINING LOSS.—**If a  
9 domestic corporation received a dividend from a specified  
10 10-percent owned foreign corporation (as defined in section  
11 245A) in any taxable year, solely for purposes of deter-  
12 mining loss on any disposition of stock of such foreign cor-  
13 poration in such taxable year or any subsequent taxable  
14 year, the basis of such domestic corporation in such stock  
15 shall be reduced (but not below zero) by the amount of any  
16 deduction allowable to such domestic corporation under sec-  
17 tion 245A with respect to such stock except to the extent  
18 such basis was reduced under section 1059 by reason of a  
19 dividend for which such a deduction was allowable.”.

20           **(2) EFFECTIVE DATE.—**The amendments made  
21 by this subsection shall apply to distributions made  
22 after December 31, 2017.

23       **(c) SALE BY A CFC OF A LOWER TIER CFC.—**

24           **(1) IN GENERAL.—**Section 964(e) is amended by  
25 adding at the end the following new paragraph:

1           “(4) *COORDINATION WITH DIVIDENDS RECEIVED*  
2     *DEDUCTION.*—

3           “(A) *IN GENERAL.*—*If, for any taxable year*  
4     *of a controlled foreign corporation beginning*  
5     *after December 31, 2017, any amount is treated*  
6     *as a dividend under paragraph (1) by reason of*  
7     *a sale or exchange by the controlled foreign cor-*  
8     *poration of stock in another foreign corporation*  
9     *held for 1 year or more, then, notwithstanding*  
10    *any other provision of this title—*

11           “(i) *the foreign-source portion of such*  
12    *dividend shall be treated for purposes of sec-*  
13    *tion 951(a)(1)(A) as subpart F income of*  
14    *the selling controlled foreign corporation for*  
15    *such taxable year,*

16           “(ii) *a United States shareholder with*  
17    *respect to the selling controlled foreign cor-*  
18    *poration shall include in gross income for*  
19    *the taxable year of the shareholder with or*  
20    *within which such taxable year of the con-*  
21    *trolled foreign corporation ends an amount*  
22    *equal to the shareholder’s pro rata share*  
23    *(determined in the same manner as under*  
24    *section 951(a)(2)) of the amount treated as*  
25    *subpart F income under clause (i), and*

1           “(iii) the deduction under section  
2           245A(a) shall be allowable to the United  
3           States shareholder with respect to the sub-  
4           part F income included in gross income  
5           under clause (ii) in the same manner as if  
6           such subpart F income were a dividend re-  
7           ceived by the shareholder from the selling  
8           controlled foreign corporation.

9           “(B) APPLICATION OF BASIS OR SIMILAR  
10          ADJUSTMENT.—For purposes of this title, in the  
11          case of a sale or exchange by a controlled foreign  
12          corporation of stock in another foreign corpora-  
13          tion in a taxable year of the selling controlled  
14          foreign corporation beginning after December 31,  
15          2017, rules similar to the rules of section 961(d)  
16          shall apply.

17          “(C) FOREIGN-SOURCE PORTION.—For pur-  
18          poses of this paragraph, the foreign-source por-  
19          tion of any amount treated as a dividend under  
20          paragraph (1) shall be determined in the same  
21          manner as under section 245A(c).”.

22          (2) EFFECTIVE DATE.—The amendments made  
23          by this subsection shall apply to sales or exchanges  
24          after December 31, 2017.

1       (d) *TREATMENT OF FOREIGN BRANCH LOSSES TRANS-*  
2 *FERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN COR-*  
3 *PORATIONS.*—

4           (1) *IN GENERAL.*—Part II of subchapter B of  
5       chapter 1 is amended by adding at the end the fol-  
6       lowing new section:

7       **“SEC. 91. CERTAIN FOREIGN BRANCH LOSSES TRANS-**  
8                       **FERRED TO SPECIFIED 10-PERCENT OWNED**  
9                       **FOREIGN CORPORATIONS.**

10       “(a) *IN GENERAL.*—If a domestic corporation trans-  
11       fers substantially all of the assets of a foreign branch (with-  
12       in the meaning of section 367(a)(3)(C), as in effect before  
13       the date of the enactment of the Tax Cuts and Jobs Act)  
14       to a specified 10-percent owned foreign corporation (as de-  
15       fined in section 245A) with respect to which it is a United  
16       States shareholder after such transfer, such domestic cor-  
17       poration shall include in gross income for the taxable year  
18       which includes such transfer an amount equal to the trans-  
19       ferred loss amount with respect to such transfer.

20       “(b) *TRANSFERRED LOSS AMOUNT.*—For purposes of  
21       this section, the term ‘transferred loss amount’ means, with  
22       respect to any transfer of substantially all of the assets of  
23       a foreign branch, the excess (if any) of—

24           “(1) the sum of losses—

1           “(A) which were incurred by the foreign  
2           branch after December 31, 2017, and before the  
3           transfer, and

4           “(B) with respect to which a deduction was  
5           allowed to the taxpayer, over

6           “(2) the sum of—

7           “(A) any taxable income of such branch for  
8           a taxable year after the taxable year in which  
9           the loss was incurred and through the close of the  
10          taxable year of the transfer, and

11          “(B) any amount which is recognized under  
12          section 904(f)(3) on account of the transfer.

13          “(c) *REDUCTION FOR RECOGNIZED GAINS.*—The  
14          transferred loss amount shall be reduced (but not below  
15          zero) by the amount of gain recognized by the taxpayer on  
16          account of the transfer (other than amounts taken into ac-  
17          count under subsection (b)(2)(B)).

18          “(d) *SOURCE OF INCOME.*—Amounts included in gross  
19          income under this section shall be treated as derived from  
20          sources within the United States.

21          “(e) *BASIS ADJUSTMENTS.*—Consistent with such reg-  
22          ulations or other guidance as the Secretary shall prescribe,  
23          proper adjustments shall be made in the adjusted basis of  
24          the taxpayer’s stock in the specified 10-percent owned for-  
25          eign corporation to which the transfer is made, and in the

1 transferee's adjusted basis in the property transferred, to  
2 reflect amounts included in gross income under this sec-  
3 tion.”.

4 (2) *CLERICAL AMENDMENT.*—The table of sec-  
5 tions for part II of subchapter B of chapter 1 is  
6 amended by adding at the end the following new item:

“Sec. 91. Certain foreign branch losses transferred to specified 10-percent owned  
foreign corporations.”.

7 (3) *EFFECTIVE DATE.*—The amendments made  
8 by this subsection shall apply to transfers after De-  
9 cember 31, 2017.

10 (4) *TRANSITION RULE.*—The amount of gain  
11 taken into account under section 91(c) of the Internal  
12 Revenue Code of 1986, as added by this subsection,  
13 shall be reduced by the amount of gain which would  
14 be recognized under section 367(a)(3)(C) (determined  
15 without regard to the amendments made by subsection  
16 (e)) with respect to losses incurred before January 1,  
17 2018.

18 (e) *REPEAL OF ACTIVE TRADE OR BUSINESS EXCEP-*  
19 *TION UNDER SECTION 367.*—

20 (1) *IN GENERAL.*—Section 367(a) is amended by  
21 striking paragraph (3) and redesignating paragraphs  
22 (4), (5), and (6) as paragraphs (3), (4), and (5), re-  
23 spectively.



1           (2)    *CONFORMING AMENDMENTS.—Section*  
2    367(a)(4), as redesignated by paragraph (1), is  
3    amended—

4                    (A) by striking “Paragraphs (2) and (3)”  
5                    and inserting “Paragraph (2)”, and

6                    (B) by striking “PARAGRAPHS (2) AND (3)”  
7                    in the heading and inserting “PARAGRAPH (2)”.

8           (3) *EFFECTIVE DATE.—The amendments made*  
9    *by this subsection shall apply to transfers after De-*  
10   *cember 31, 2017.*

11   **SEC. 14103. TREATMENT OF DEFERRED FOREIGN INCOME**  
12                    **UPON TRANSITION TO PARTICIPATION EX-**  
13                    **EMPTION SYSTEM OF TAXATION.**

14           (a) *IN GENERAL.—Section 965 is amended to read as*  
15    *follows:*

16    **“SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME**  
17                    **UPON TRANSITION TO PARTICIPATION EX-**  
18                    **EMPTION SYSTEM OF TAXATION.**

19           “(a) *TREATMENT OF DEFERRED FOREIGN INCOME AS*  
20    *SUBPART F INCOME.—In the case of the last taxable year*  
21    *of a deferred foreign income corporation which begins before*  
22    *January 1, 2018, the subpart F income of such foreign cor-*  
23    *poration (as otherwise determined for such taxable year*  
24    *under section 952) shall be increased by the greater of—*

1           “(1) *the accumulated post-1986 deferred foreign*  
2 *income of such corporation determined as of Novem-*  
3 *ber 2, 2017, or*

4           “(2) *the accumulated post-1986 deferred foreign*  
5 *income of such corporation determined as of December*  
6 *31, 2017.*

7           “(b) *REDUCTION IN AMOUNTS INCLUDED IN GROSS IN-*  
8 *COME OF UNITED STATES SHAREHOLDERS OF SPECIFIED*  
9 *FOREIGN CORPORATIONS WITH DEFICITS IN EARNINGS*  
10 *AND PROFITS.—*

11           “(1) *IN GENERAL.—In the case of a taxpayer*  
12 *which is a United States shareholder with respect to*  
13 *at least one deferred foreign income corporation and*  
14 *at least one E&P deficit foreign corporation, the*  
15 *amount which would (but for this subsection) be taken*  
16 *into account under section 951(a)(1) by reason of sub-*  
17 *section (a) as such United States shareholder’s pro*  
18 *rata share of the subpart F income of each deferred*  
19 *foreign income corporation shall be reduced by the*  
20 *amount of such United States shareholder’s aggregate*  
21 *foreign E&P deficit which is allocated under para-*  
22 *graph (2) to such deferred foreign income corporation.*

23           “(2) *ALLOCATION OF AGGREGATE FOREIGN E&P*  
24 *DEFICIT.—The aggregate foreign E&P deficit of any*  
25 *United States shareholder shall be allocated among*

1 *the deferred foreign income corporations of such*  
2 *United States shareholder in an amount which bears*  
3 *the same proportion to such aggregate as—*

4 *“(A) such United States shareholder’s pro*  
5 *rata share of the accumulated post-1986 deferred*  
6 *foreign income of each such deferred foreign in-*  
7 *come corporation, bears to*

8 *“(B) the aggregate of such United States*  
9 *shareholder’s pro rata share of the accumulated*  
10 *post-1986 deferred foreign income of all deferred*  
11 *foreign income corporations of such United*  
12 *States shareholder.*

13 *“(3) DEFINITIONS RELATED TO E&P DEFICITS.—*  
14 *For purposes of this subsection—*

15 *“(A) AGGREGATE FOREIGN E&P DEFICIT.—*

16 *“(i) IN GENERAL.—The term ‘aggre-*  
17 *gate foreign E&P deficit’ means, with re-*  
18 *spect to any United States shareholder, the*  
19 *lesser of—*

20 *“(I) the aggregate of such share-*  
21 *holder’s pro rata shares of the specified*  
22 *E&P deficits of the E&P deficit foreign*  
23 *corporations of such shareholder, or*

24 *“(II) the amount determined*  
25 *under paragraph (2)(B).*

1           “(i) *ALLOCATION OF DEFICIT.*—If the  
2           amount described in clause (i)(II) is less  
3           than the amount described in clause (i)(I),  
4           then the shareholder shall designate, in such  
5           form and manner as the Secretary deter-  
6           mines—

7                   “(I) the amount of the specified  
8                   E&P deficit which is to be taken into  
9                   account for each E&P deficit corpora-  
10                  tion with respect to the taxpayer, and

11                   “(II) in the case of an E&P def-  
12                  icit corporation which has a qualified  
13                  deficit (as defined in section 952), the  
14                  portion (if any) of the deficit taken  
15                  into account under subclause (I) which  
16                  is attributable to a qualified deficit,  
17                  including the qualified activities to  
18                  which such portion is attributable.

19           “(B) *E&P DEFICIT FOREIGN CORPORA-*  
20           *TION.*—The term ‘E&P deficit foreign corpora-  
21           tion’ means, with respect to any taxpayer, any  
22           specified foreign corporation with respect to  
23           which such taxpayer is a United States share-  
24           holder, if, as of November 2, 2017—

1           “(i) such specified foreign corporation  
2           has a deficit in post-1986 earnings and  
3           profits,

4           “(ii) such corporation was a specified  
5           foreign corporation, and

6           “(iii) such taxpayer was a United  
7           States shareholder of such corporation.

8           “(C) SPECIFIED E&P DEFICIT.—The term  
9           ‘specified E&P deficit’ means, with respect to  
10          any E&P deficit foreign corporation, the amount  
11          of the deficit referred to in subparagraph (B).

12          “(4) TREATMENT OF EARNINGS AND PROFITS IN  
13          FUTURE YEARS.—

14               “(A) REDUCED EARNINGS AND PROFITS  
15               TREATED AS PREVIOUSLY TAXED INCOME WHEN  
16               DISTRIBUTED.—For purposes of applying section  
17               959 in any taxable year beginning with the tax-  
18               able year described in subsection (a), with re-  
19               spect to any United States shareholder of a de-  
20               ferred foreign income corporation, an amount  
21               equal to such shareholder’s reduction under para-  
22               graph (1) which is allocated to such deferred for-  
23               eign income corporation under this subsection  
24               shall be treated as an amount which was in-

1           *cluded in the gross income of such United States*  
2           *shareholder under section 951(a).*

3           “(B) *E&P DEFICITS.*—*For purposes of this*  
4           *title, with respect to any taxable year beginning*  
5           *with the taxable year described in subsection (a),*  
6           *a United States shareholder’s pro rata share of*  
7           *the earnings and profits of any E&P deficit for-*  
8           *foreign corporation under this subsection shall be*  
9           *increased by the amount of the specified E&P*  
10           *deficit of such corporation taken into account by*  
11           *such shareholder under paragraph (1), and, for*  
12           *purposes of section 952, such increase shall be at-*  
13           *tributable to the same activity to which the def-*  
14           *icit so taken into account was attributable.*

15           “(5) *NETTING AMONG UNITED STATES SHARE-*  
16           *HOLDERS IN SAME AFFILIATED GROUP.*—

17           “(A) *IN GENERAL.*—*In the case of any af-*  
18           *filiated group which includes at least one E&P*  
19           *net surplus shareholder and one E&P net deficit*  
20           *shareholder, the amount which would (but for*  
21           *this paragraph) be taken into account under sec-*  
22           *tion 951(a)(1) by reason of subsection (a) by*  
23           *each such E&P net surplus shareholder shall be*  
24           *reduced (but not below zero) by such share-*

1 holder's applicable share of the affiliated group's  
2 aggregate unused E&P deficit.

3 “(B) E&P NET SURPLUS SHAREHOLDER.—

4 For purposes of this paragraph, the term ‘E&P  
5 net surplus shareholder’ means any United  
6 States shareholder which would (determined  
7 without regard to this paragraph) take into ac-  
8 count an amount greater than zero under section  
9 951(a)(1) by reason of subsection (a).

10 “(C) E&P NET DEFICIT SHAREHOLDER.—

11 For purposes of this paragraph, the term ‘E&P  
12 net deficit shareholder’ means any United States  
13 shareholder if—

14 “(i) the aggregate foreign E&P deficit  
15 with respect to such shareholder (as defined  
16 in paragraph (3)(A) without regard to  
17 clause (i)(II) thereof), exceeds

18 “(ii) the amount which would (but for  
19 this subsection) be taken into account by  
20 such shareholder under section 951(a)(1) by  
21 reason of subsection (a).

22 “(D) AGGREGATE UNUSED E&P DEFICIT.—

23 For purposes of this paragraph—

1           “(i) *IN GENERAL.*—The term ‘aggre-  
2           gate unused E&P deficit’ means, with re-  
3           spect to any affiliated group, the lesser of—

4                   “(I) the sum of the excesses de-  
5                   scribed in subparagraph (C), deter-  
6                   mined with respect to each E&P net  
7                   deficit shareholder in such group, or

8                   “(II) the amount determined  
9                   under subparagraph (E)(ii).

10           “(ii) *REDUCTION WITH RESPECT TO*  
11           *E&P NET DEFICIT SHAREHOLDERS WHICH*  
12           *ARE NOT WHOLLY OWNED BY THE AFFILI-*  
13           *ATED GROUP.*—If the group ownership per-  
14           centage of any E&P net deficit shareholder  
15           is less than 100 percent, the amount of the  
16           excess described in subparagraph (C) which  
17           is taken into account under clause (i)(I)  
18           with respect to such E&P net deficit share-  
19           holder shall be such group ownership per-  
20           centage of such amount.

21           “(E) *APPLICABLE SHARE.*—For purposes of  
22           this paragraph, the term ‘applicable share’  
23           means, with respect to any E&P net surplus  
24           shareholder in any affiliated group, the amount



1           *which bears the same proportion to such group's*  
2           *aggregate unused E&P deficit as—*

3                   “(i) *the product of—*

4                           “(I) *such shareholder's group own-*  
5                           *ership percentage, multiplied by*

6                           “(II) *the amount which would*  
7                           *(but for this paragraph) be taken into*  
8                           *account under section 951(a)(1) by*  
9                           *reason of subsection (a) by such share-*  
10                           *holder, bears to*

11                           “(ii) *the aggregate amount determined*  
12                           *under clause (i) with respect to all E&P net*  
13                           *surplus shareholders in such group.*

14                           “(F) *GROUP OWNERSHIP PERCENTAGE.—*

15           *For purposes of this paragraph, the term ‘group*  
16           *ownership percentage’ means, with respect to*  
17           *any United States shareholder in any affiliated*  
18           *group, the percentage of the value of the stock of*  
19           *such United States shareholder which is held by*  
20           *other includible corporations in such affiliated*  
21           *group. Notwithstanding the preceding sentence,*  
22           *the group ownership percentage of the common*  
23           *parent of the affiliated group is 100 percent.*  
24           *Any term used in this subparagraph which is*

1           *also used in section 1504 shall have the same*  
2           *meaning as when used in such section.*

3           “(c) *APPLICATION OF PARTICIPATION EXEMPTION TO*  
4 *INCLUDED INCOME.—*

5           “(1) *IN GENERAL.—In the case of a United*  
6 *States shareholder of a deferred foreign income cor-*  
7 *poration, there shall be allowed as a deduction for the*  
8 *taxable year in which an amount is included in the*  
9 *gross income of such United States shareholder under*  
10 *section 951(a)(1) by reason of this section an amount*  
11 *equal to the sum of—*

12                   “(A) *the United States shareholder’s 8 per-*  
13 *cent rate equivalent percentage of the excess (if*  
14 *any) of—*

15                           “(i) *the amount so included as gross*  
16 *income, over*

17                                   “(ii) *the amount of such United States*  
18 *shareholder’s aggregate foreign cash posi-*  
19 *tion, plus*

20   “(B) *the United States shareholder’s 15.5*  
21 *percent rate equivalent percentage of so much of*  
22 *the amount described in subparagraph (A)(ii) as*  
23 *does not exceed the amount described in subpara-*  
24 *graph (A)(i).*

1           “(2) 8 AND 15.5 PERCENT RATE EQUIVALENT  
2     PERCENTAGES.—For purposes of this subsection—

3           “(A) 8 PERCENT RATE EQUIVALENT PER-  
4     CENTAGE.—The term ‘8 percent rate equivalent  
5     percentage’ means, with respect to any United  
6     States shareholder for any taxable year, the per-  
7     centage which would result in the amount to  
8     which such percentage applies being subject to a  
9     8 percent rate of tax determined by only taking  
10    into account a deduction equal to such percent-  
11    age of such amount and the highest rate of tax  
12    specified in section 11 for such taxable year. In  
13    the case of any taxable year of a United States  
14    shareholder to which section 15 applies, the high-  
15    est rate of tax under section 11 before the effec-  
16    tive date of the change in rates and the highest  
17    rate of tax under section 11 after the effective  
18    date of such change shall each be taken into ac-  
19    count under the preceding sentence in the same  
20    proportions as the portion of such taxable year  
21    which is before and after such effective date, re-  
22    spectively.

23           “(B) 15.5 PERCENT RATE EQUIVALENT PER-  
24     CENTAGE.—The term ‘15.5 percent rate equiva-  
25     lent percentage’ means, with respect to any

1           *United States shareholder for any taxable year,*  
2           *the percentage determined under subparagraph*  
3           *(A) applied by substituting ‘15.5 percent rate of*  
4           *tax’ for ‘8 percent rate of tax’.*

5           “(3) *AGGREGATE FOREIGN CASH POSITION.*—*For*  
6           *purposes of this subsection—*

7                   “(A) *IN GENERAL.*—*The term ‘aggregate*  
8                   *foreign cash position’ means, with respect to any*  
9                   *United States shareholder, the greater of—*

10                           “(i) *the aggregate of such United*  
11                           *States shareholder’s pro rata share of the*  
12                           *cash position of each specified foreign cor-*  
13                           *poration of such United States shareholder*  
14                           *determined as of the close of the last taxable*  
15                           *year of such specified foreign corporation*  
16                           *which begins before January 1, 2018, or*

17                                   “(ii) *one half of the sum of—*

18   “(I) *the aggregate described in*  
19   *clause (i) determined as of the close of*  
20   *the last taxable year of each such speci-*  
21   *fied foreign corporation which ends be-*  
22   *fore November 2, 2017, plus*

23   “(II) *the aggregate described in*  
24   *clause (i) determined as of the close of*  
25   *the taxable year of each such specified*

1                   *foreign corporation which precedes the*  
2                   *taxable year referred to in subclause*  
3                   *(I).*

4                   “(B) *CASH POSITION.*—*For purposes of this*  
5                   *paragraph, the cash position of any specified for-*  
6                   *foreign corporation is the sum of—*

7                   “*(i) cash held by such foreign corpora-*  
8                   *tion,*

9                   “*(ii) the net accounts receivable of such*  
10                  *foreign corporation, plus*

11                  “*(iii) the fair market value of the fol-*  
12                  *lowing assets held by such corporation:*

13                         “*(I) Personal property which is of*  
14                         *a type that is actively traded and for*  
15                         *which there is an established financial*  
16                         *market.*

17                         “*(II) Commercial paper, certifi-*  
18                         *cates of deposit, the securities of the*  
19                         *Federal government and of any State*  
20                         *or foreign government.*

21                         “*(III) Any foreign currency.*

22                         “*(IV) Any obligation with a term*  
23                         *of less than one year.*

24                         “*(V) Any asset which the Sec-*  
25                         *retary identifies as being economically*

1                    *equivalent to any asset described in*  
2                    *this subparagraph.*

3                    “(C) *NET ACCOUNTS RECEIVABLE.*—*For*  
4                    *purposes of this paragraph, the term ‘net ac-*  
5                    *counts receivable’ means, with respect to any*  
6                    *specified foreign corporation, the excess (if any)*  
7                    *of—*

8                    *“(i) such corporation’s accounts receiv-*  
9                    *able, over*

10                    *“(ii) such corporation’s accounts pay-*  
11                    *able (determined consistent with the rules of*  
12                    *section 461).*

13                    “(D) *PREVENTION OF DOUBLE COUNTING.*—  
14                    *Cash positions of a specified foreign corporation*  
15                    *described in clause (ii), (iii)(I), or (iii)(IV) of*  
16                    *subparagraph (B) shall not be taken into ac-*  
17                    *count by a United States shareholder under sub-*  
18                    *paragraph (A) to the extent that such United*  
19                    *States shareholder demonstrates to the satisfac-*  
20                    *tion of the Secretary that such amount is so*  
21                    *taken into account by such United States share-*  
22                    *holder with respect to another specified foreign*  
23                    *corporation.*

24                    “(E) *CASH POSITIONS OF CERTAIN NON-*  
25                    *CORPORATE ENTITIES TAKEN INTO ACCOUNT.*—

1           *An entity (other than a corporation) shall be*  
2           *treated as a specified foreign corporation of a*  
3           *United States shareholder for purposes of deter-*  
4           *mining such United States shareholder's aggreg-*  
5           *ate foreign cash position if any interest in such*  
6           *entity is held by a specified foreign corporation*  
7           *of such United States shareholder (determined*  
8           *after application of this subparagraph) and such*  
9           *entity would be a specified foreign corporation of*  
10          *such United States shareholder if such entity*  
11          *were a foreign corporation.*

12           “(F) *ANTI-ABUSE.*—*If the Secretary deter-*  
13          *mines that a principal purpose of any trans-*  
14          *action was to reduce the aggregate foreign cash*  
15          *position taken into account under this sub-*  
16          *section, such transaction shall be disregarded for*  
17          *purposes of this subsection.*

18          “(d) *DEFERRED FOREIGN INCOME CORPORATION; AC-*  
19          *CUMULATED POST-1986 DEFERRED FOREIGN INCOME.*—  
20          *For purposes of this section—*

21           “(1) *DEFERRED FOREIGN INCOME CORPORA-*  
22          *TION.*—*The term ‘deferred foreign income corporation’*  
23          *means, with respect to any United States shareholder,*  
24          *any specified foreign corporation of such United*  
25          *States shareholder which has accumulated post-1986*

1       *deferred foreign income (as of the date referred to in*  
2       *paragraph (1) or (2) of subsection (a)) greater than*  
3       *zero.*

4               “(2) *ACCUMULATED POST-1986 DEFERRED FOR-*  
5       *EIGN INCOME.—The term ‘accumulated post-1986 de-*  
6       *ferred foreign income’ means the post-1986 earnings*  
7       *and profits except to the extent such earnings—*

8                       “(A) *are attributable to income of the speci-*  
9                       *fied foreign corporation which is effectively con-*  
10                      *ected with the conduct of a trade or business*  
11                      *within the United States and subject to tax*  
12                      *under this chapter, or*

13                      “(B) *in the case of a controlled foreign cor-*  
14                      *poration, if distributed, would be excluded from*  
15                      *the gross income of a United States shareholder*  
16                      *under section 959.*

17       *To the extent provided in regulations or other guid-*  
18       *ance prescribed by the Secretary, in the case of any*  
19       *controlled foreign corporation which has shareholders*  
20       *which are not United States shareholders, accumu-*  
21       *lated post-1986 deferred foreign income shall be ap-*  
22       *propriately reduced by amounts which would be de-*  
23       *scribed in subparagraph (B) if such shareholders were*  
24       *United States shareholders.*



1           “(3) *POST-1986 EARNINGS AND PROFITS.*—*The*  
2 *term ‘post-1986 earnings and profits’ means the earn-*  
3 *ings and profits of the foreign corporation (computed*  
4 *in accordance with sections 964(a) and 986, and by*  
5 *only taking into account periods when the foreign cor-*  
6 *poration was a specified foreign corporation) accumu-*  
7 *lated in taxable years beginning after December 31,*  
8 *1986, and determined—*

9                   “(A) *as of the date referred to in paragraph*  
10 *(1) or (2) of subsection (a), whichever is applica-*  
11 *ble with respect to such foreign corporation, and*

12                   “(B) *without diminution by reason of divi-*  
13 *dends distributed during the taxable year de-*  
14 *scribed in subsection (a) other than dividends*  
15 *distributed to another specified foreign corpora-*  
16 *tion.*

17           “(e) *SPECIFIED FOREIGN CORPORATION.*—

18                   “(1) *IN GENERAL.*—*For purposes of this section,*  
19 *the term ‘specified foreign corporation’ means—*

20                   “(A) *any controlled foreign corporation,*  
21 *and*

22                   “(B) *any foreign corporation with respect*  
23 *to which one or more domestic corporations is a*  
24 *United States shareholder.*

1           “(2) *APPLICATION TO CERTAIN FOREIGN COR-*  
2           *PORATIONS.*—*For purposes of sections 951 and 961, a*  
3           *foreign corporation described in paragraph (1)(B)*  
4           *shall be treated as a controlled foreign corporation*  
5           *solely for purposes of taking into account the subpart*  
6           *F income of such corporation under subsection (a)*  
7           *(and for purposes of applying subsection (f)).*

8           “(3) *EXCLUSION OF PASSIVE FOREIGN INVEST-*  
9           *MENT COMPANIES.*—*Such term shall not include any*  
10           *corporation which is a passive foreign investment*  
11           *company (as defined in section 1297) with respect to*  
12           *the shareholder and which is not a controlled foreign*  
13           *corporation.*

14           “(f) *DETERMINATIONS OF PRO RATA SHARE.*—

15           “(1) *IN GENERAL.*—*For purposes of this section,*  
16           *the determination of any United States shareholder’s*  
17           *pro rata share of any amount with respect to any*  
18           *specified foreign corporation shall be determined*  
19           *under rules similar to the rules of section 951(a)(2)*  
20           *by treating such amount in the same manner as sub-*  
21           *part F income (and by treating such specified foreign*  
22           *corporation as a controlled foreign corporation).*

23           “(2) *SPECIAL RULES.*—*The portion which is in-*  
24           *cluded in the income of a United States shareholder*  
25           *under section 951(a)(1) by reason of subsection (a)*

1       *which is equal to the deduction allowed under sub-*  
2       *section (c) by reason of such inclusion—*

3               “(A) *shall be treated as income exempt from*  
4               *tax for purposes of sections 705(a)(1)(B) and*  
5               *1367(a)(1)(A), and*

6               “(B) *shall not be treated as income exempt*  
7               *from tax for purposes of determining whether an*  
8               *adjustment shall be made to an accumulated ad-*  
9               *justment account under section 1368(e)(1)(A).*

10       “(g) *DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—*

11               “(1) *IN GENERAL.—No credit shall be allowed*  
12               *under section 901 for the applicable percentage of any*  
13               *taxes paid or accrued (or treated as paid or accrued)*  
14               *with respect to any amount for which a deduction is*  
15               *allowed under this section.*

16               “(2) *APPLICABLE PERCENTAGE.—For purposes*  
17               *of this subsection, the term ‘applicable percentage’*  
18               *means the amount (expressed as a percentage) equal*  
19               *to the sum of—*

20                       “(A) *0.771 multiplied by the ratio of—*

21                               “(i) *the excess to which subsection*  
22                               *(c)(1)(A) applies, divided by*

23                               “(ii) *the sum of such excess plus the*  
24                               *amount to which subsection (c)(1)(B) ap-*  
25                               *plies, plus*

1           “(B) 0.557 multiplied by the ratio of—

2                   “(i) the amount to which subsection  
3           (c)(1)(B) applies, divided by

4                   “(ii) the sum described in subpara-  
5           graph (A)(ii).

6           “(3) DENIAL OF DEDUCTION.—No deduction  
7           shall be allowed under this chapter for any tax for  
8           which credit is not allowable under section 901 by  
9           reason of paragraph (1) (determined by treating the  
10          taxpayer as having elected the benefits of subpart A  
11          of part III of subchapter N).

12          “(4) COORDINATION WITH SECTION 78.—With re-  
13          spect to the taxes treated as paid or accrued by a do-  
14          mestic corporation with respect to amounts which are  
15          includible in gross income of such domestic corpora-  
16          tion by reason of this section, section 78 shall apply  
17          only to so much of such taxes as bears the same pro-  
18          portion to the amount of such taxes as—

19                  “(A) the excess of—

20                          “(i) the amounts which are includible  
21                          in gross income of such domestic corpora-  
22                          tion by reason of this section, over

23                          “(ii) the deduction allowable under  
24                          subsection (c) with respect to such amounts,  
25                          bears to

1                   “(B) *such amounts.*

2           “(h) *ELECTION TO PAY LIABILITY IN INSTALL-*  
3 *MENTS.—*

4                   “(1) *IN GENERAL.—In the case of a United*  
5 *States shareholder of a deferred foreign income cor-*  
6 *poration, such United States shareholder may elect to*  
7 *pay the net tax liability under this section in 8 in-*  
8 *stallments of the following amounts:*

9                   “(A) *8 percent of the net tax liability in the*  
10 *case of each of the first 5 of such installments,*

11                   “(B) *15 percent of the net tax liability in*  
12 *the case of the 6th such installment,*

13                   “(C) *20 percent of the net tax liability in*  
14 *the case of the 7th such installment, and*

15                   “(D) *25 percent of the net tax liability in*  
16 *the case of the 8th such installment.*

17                   “(2) *DATE FOR PAYMENT OF INSTALLMENTS.—If*  
18 *an election is made under paragraph (1), the first in-*  
19 *stallment shall be paid on the due date (determined*  
20 *without regard to any extension of time for filing the*  
21 *return) for the return of tax for the taxable year de-*  
22 *scribed in subsection (a) and each succeeding install-*  
23 *ment shall be paid on the due date (as so determined)*  
24 *for the return of tax for the taxable year following the*

1     *taxable year with respect to which the preceding in-*  
2     *stallment was made.*

3             “(3) *ACCELERATION OF PAYMENT.*—*If there is*  
4     *an addition to tax for failure to timely pay any in-*  
5     *stallment required under this subsection, a liquida-*  
6     *tion or sale of substantially all the assets of the tax-*  
7     *payer (including in a title 11 or similar case), a ces-*  
8     *sation of business by the taxpayer, or any similar cir-*  
9     *cumstance, then the unpaid portion of all remaining*  
10    *installments shall be due on the date of such event (or*  
11    *in the case of a title 11 or similar case, the day before*  
12    *the petition is filed). The preceding sentence shall not*  
13    *apply to the sale of substantially all the assets of a*  
14    *taxpayer to a buyer if such buyer enters into an*  
15    *agreement with the Secretary under which such buyer*  
16    *is liable for the remaining installments due under*  
17    *this subsection in the same manner as if such buyer*  
18    *were the taxpayer.*

19             “(4) *PRORATION OF DEFICIENCY TO INSTALL-*  
20    *MENTS.*—*If an election is made under paragraph (1)*  
21    *to pay the net tax liability under this section in in-*  
22    *stallments and a deficiency has been assessed with re-*  
23    *spect to such net tax liability, the deficiency shall be*  
24    *prorated to the installments payable under paragraph*  
25    *(1). The part of the deficiency so prorated to any in-*

1 *stallment the date for payment of which has not ar-*  
2 *rived shall be collected at the same time as, and as*  
3 *a part of, such installment. The part of the deficiency*  
4 *so prorated to any installment the date for payment*  
5 *of which has arrived shall be paid upon notice and*  
6 *demand from the Secretary. This subsection shall not*  
7 *apply if the deficiency is due to negligence, to inten-*  
8 *tional disregard of rules and regulations, or to fraud*  
9 *with intent to evade tax.*

10 *“(5) ELECTION.—Any election under paragraph*  
11 *(1) shall be made not later than the due date for the*  
12 *return of tax for the taxable year described in sub-*  
13 *section (a) and shall be made in such manner as the*  
14 *Secretary shall provide.*

15 *“(6) NET TAX LIABILITY UNDER THIS SEC-*  
16 *TION.—For purposes of this subsection—*

17 *“(A) IN GENERAL.—The net tax liability*  
18 *under this section with respect to any United*  
19 *States shareholder is the excess (if any) of—*

20 *“(i) such taxpayer’s net income tax for*  
21 *the taxable year in which an amount is in-*  
22 *cluded in the gross income of such United*  
23 *States shareholder under section 951(a)(1)*  
24 *by reason of this section, over*

1                   “(ii) such taxpayer’s net income tax  
2                   for such taxable year determined—

3                   “(I) without regard to this sec-  
4                   tion, and

5                   “(II) without regard to any in-  
6                   come or deduction properly attrib-  
7                   utable to a dividend received by such  
8                   United States shareholder from any de-  
9                   ferred foreign income corporation.

10                   “(B) NET INCOME TAX.—The term ‘net in-  
11                   come tax’ means the regular tax liability reduced  
12                   by the credits allowed under subparts A, B, and  
13                   D of part IV of subchapter A.

14                   “(i) SPECIAL RULES FOR S CORPORATION SHARE-  
15                   HOLDERS.—

16                   “(1) IN GENERAL.—In the case of any S cor-  
17                   poration which is a United States shareholder of a  
18                   deferred foreign income corporation, each shareholder  
19                   of such S corporation may elect to defer payment of  
20                   such shareholder’s net tax liability under this section  
21                   with respect to such S corporation until the share-  
22                   holder’s taxable year which includes the triggering  
23                   event with respect to such liability. Any net tax li-  
24                   ability payment of which is deferred under the pre-  
25                   ceding sentence shall be assessed on the return of tax



1 *as an addition to tax in the shareholder's taxable*  
2 *year which includes such triggering event.*

3 *“(2) TRIGGERING EVENT.—*

4 *“(A) IN GENERAL.—In the case of any*  
5 *shareholder's net tax liability under this section*  
6 *with respect to any S corporation, the triggering*  
7 *event with respect to such liability is whichever*  
8 *of the following occurs first:*

9 *“(i) Such corporation ceases to be an S*  
10 *corporation (determined as of the first day*  
11 *of the first taxable year that such corpora-*  
12 *tion is not an S corporation).*

13 *“(ii) A liquidation or sale of substan-*  
14 *tially all the assets of such S corporation*  
15 *(including in a title 11 or similar case), a*  
16 *cessation of business by such S corporation,*  
17 *such S corporation ceases to exist, or any*  
18 *similar circumstance.*

19 *“(iii) A transfer of any share of stock*  
20 *in such S corporation by the taxpayer (in-*  
21 *cluding by reason of death, or otherwise).*

22 *“(B) PARTIAL TRANSFERS OF STOCK.—In*  
23 *the case of a transfer of less than all of the tax-*  
24 *payer's shares of stock in the S corporation, such*  
25 *transfer shall only be a triggering event with re-*

1           *spect to so much of the taxpayer’s net tax liabil-*  
2           *ity under this section with respect to such S cor-*  
3           *poration as is properly allocable to such stock.*

4           “(C) *TRANSFER OF LIABILITY.*—A transfer  
5           *described in clause (iii) of subparagraph (A)*  
6           *shall not be treated as a triggering event if the*  
7           *transferee enters into an agreement with the Sec-*  
8           *retary under which such transferee is liable for*  
9           *net tax liability with respect to such stock in the*  
10          *same manner as if such transferee were the tax-*  
11          *payer.*

12          “(3) *NET TAX LIABILITY.*—A shareholder’s net  
13          *tax liability under this section with respect to any S*  
14          *corporation is the net tax liability under this section*  
15          *which would be determined under subsection (h)(6) if*  
16          *the only subpart F income taken into account by such*  
17          *shareholder by reason of this section were allocations*  
18          *from such S corporation.*

19          “(4) *ELECTION TO PAY DEFERRED LIABILITY IN*  
20          *INSTALLMENTS.*—In the case of a taxpayer which  
21          *elects to defer payment under paragraph (1)—*

22                 “(A) *subsection (h) shall be applied sepa-*  
23                 *rately with respect to the liability to which such*  
24                 *election applies,*

1           “(B) an election under subsection (h) with  
2           respect to such liability shall be treated as timely  
3           made if made not later than the due date for the  
4           return of tax for the taxable year in which the  
5           triggering event with respect to such liability oc-  
6           curs,

7           “(C) the first installment under subsection  
8           (h) with respect to such liability shall be paid  
9           not later than such due date (but determined  
10          without regard to any extension of time for filing  
11          the return), and

12          “(D) if the triggering event with respect to  
13          any net tax liability is described in paragraph  
14          (2)(A)(ii), an election under subsection (h) with  
15          respect to such liability may be made only with  
16          the consent of the Secretary.

17          “(5) *JOINT AND SEVERAL LIABILITY OF S COR-*  
18          *PORATION.*—If any shareholder of an S corporation  
19          elects to defer payment under paragraph (1), such S  
20          corporation shall be jointly and severally liable for  
21          such payment and any penalty, addition to tax, or  
22          additional amount attributable thereto.

23          “(6) *EXTENSION OF LIMITATION ON COLLEC-*  
24          *TION.*—Any limitation on the time period for the col-  
25          lection of a liability deferred under this subsection

1     *shall not be treated as beginning before the date of the*  
2     *triggering event with respect to such liability.*

3             “(7) *ANNUAL REPORTING OF NET TAX LIABIL-*  
4     *ITY.—*

5             “(A) *IN GENERAL.—Any shareholder of an*  
6     *S corporation which makes an election under*  
7     *paragraph (1) shall report the amount of such*  
8     *shareholder’s deferred net tax liability on such*  
9     *shareholder’s return of tax for the taxable year*  
10    *for which such election is made and on the re-*  
11    *turn of tax for each taxable year thereafter until*  
12    *such amount has been fully assessed on such re-*  
13    *turns.*

14            “(B) *DEFERRED NET TAX LIABILITY.—For*  
15    *purposes of this paragraph, the term ‘deferred*  
16    *net tax liability’ means, with respect to any tax-*  
17    *able year, the amount of net tax liability pay-*  
18    *ment of which has been deferred under para-*  
19    *graph (1) and which has not been assessed on a*  
20    *return of tax for any prior taxable year.*

21            “(C) *FAILURE TO REPORT.—In the case of*  
22    *any failure to report any amount required to be*  
23    *reported under subparagraph (A) with respect to*  
24    *any taxable year before the due date for the re-*  
25    *turn of tax for such taxable year, there shall be*

1           *assessed on such return as an addition to tax 5*  
2           *percent of such amount.*

3           “(8) *ELECTION.*—*Any election under paragraph*  
4           *(1)—*

5                     “(A) *shall be made by the shareholder of the*  
6           *S corporation not later than the due date for*  
7           *such shareholder’s return of tax for the taxable*  
8           *year which includes the close of the taxable year*  
9           *of such S corporation in which the amount de-*  
10          *scribed in subsection (a) is taken into account,*  
11          *and*

12                    “(B) *shall be made in such manner as the*  
13          *Secretary shall provide.*

14          “(j) *REPORTING BY S CORPORATION.*—*Each S cor-*  
15          *poration which is a United States shareholder of a specified*  
16          *foreign corporation shall report in its return of tax under*  
17          *section 6037(a) the amount includible in its gross income*  
18          *for such taxable year by reason of this section and the*  
19          *amount of the deduction allowable by subsection (c). Any*  
20          *copy provided to a shareholder under section 6037(b) shall*  
21          *include a statement of such shareholder’s pro rata share of*  
22          *such amounts.*

23          “(k) *EXTENSION OF LIMITATION ON ASSESSMENT.*—  
24          *Notwithstanding section 6501, the limitation on the time*  
25          *period for the assessment of the net tax liability under this*

1 *section (as defined in subsection (h)(6)) shall not expire be-*  
2 *fore the date that is 6 years after the return for the taxable*  
3 *year described in such subsection was filed.*

4 *“(l) RECAPTURE FOR EXPATRIATED ENTITIES.—*

5 *“(1) IN GENERAL.—If a deduction is allowed*  
6 *under subsection (c) to a United States shareholder*  
7 *and such shareholder first becomes an expatriated en-*  
8 *tity at any time during the 10-year period beginning*  
9 *on the date of the enactment of the Tax Cuts and Jobs*  
10 *Act (with respect to a surrogate foreign corporation*  
11 *which first becomes a surrogate foreign corporation*  
12 *during such period), then—*

13 *“(A) the tax imposed by this chapter shall*  
14 *be increased for the first taxable year in which*  
15 *such taxpayer becomes an expatriated entity by*  
16 *an amount equal to 35 percent of the amount of*  
17 *the deduction allowed under subsection (c), and*

18 *“(B) no credits shall be allowed against the*  
19 *increase in tax under subparagraph (A).*

20 *“(2) EXPATRIATED ENTITY.—For purposes of*  
21 *this subsection, the term ‘expatriated entity’ has the*  
22 *same meaning given such term under section*  
23 *7874(a)(2), except that such term shall not include an*  
24 *entity if the surrogate foreign corporation with re-*

1        *spect to the entity is treated as a domestic corpora-*  
2        *tion under section 7874(b).*

3            “(3) *SURROGATE FOREIGN CORPORATION.—For*  
4        *purposes of this subsection, the term ‘surrogate foreign*  
5        *corporation’ has the meaning given such term in sec-*  
6        *tion 7874(a)(2)(B).*

7            “(m) *SPECIAL RULES FOR UNITED STATES SHARE-*  
8        *HOLDERS WHICH ARE REAL ESTATE INVESTMENT*  
9        *TRUSTS.—*

10            “(1) *IN GENERAL.—If a real estate investment*  
11        *trust is a United States shareholder in 1 or more de-*  
12        *ferred foreign income corporations—*

13            “(A) *any amount required to be taken into*  
14        *account under section 951(a)(1) by reason of this*  
15        *section shall not be taken into account as gross*  
16        *income of the real estate investment trust for*  
17        *purposes of applying paragraphs (2) and (3) of*  
18        *section 856(c) to any taxable year for which such*  
19        *amount is taken into account under section*  
20        *951(a)(1), and*

21            “(B) *if the real estate investment trust elects*  
22        *the application of this subparagraph, notwith-*  
23        *standing subsection (a), any amount required to*  
24        *be taken into account under section 951(a)(1) by*  
25        *reason of this section shall, in lieu of the taxable*

1           year in which it would otherwise be included in  
2           gross income (for purposes of the computation of  
3           real estate investment trust taxable income under  
4           section 857(b)), be included in gross income as  
5           follows:

6                   “(i) 8 percent of such amount in the  
7                   case of each of the taxable years in the 5-  
8                   taxable year period beginning with the tax-  
9                   able year in which such amount would oth-  
10                  erwise be included.

11                   “(ii) 15 percent of such amount in the  
12                   case of the 1st taxable year following such  
13                   period.

14                   “(iii) 20 percent of such amount in the  
15                   case of the 2nd taxable year following such  
16                   period.

17                   “(iv) 25 percent of such amount in the  
18                   case of the 3rd taxable year following such  
19                   period.

20           “(2) *RULES FOR TRUSTS ELECTING DEFERRED*  
21           *INCLUSION.*—

22                   “(A) *ELECTION.*—Any election under para-  
23                   graph (1)(B) shall be made not later than the  
24                   due date for the first taxable year in the 5-tax-  
25                   able year period described in clause (i) of para-



1           *graph (1)(B) and shall be made in such manner*  
2           *as the Secretary shall provide.*

3           “(B) *SPECIAL RULES.*—*If an election under*  
4           *paragraph (1)(B) is in effect with respect to any*  
5           *real estate investment trust, the following rules*  
6           *shall apply:*

7                   “(i) *APPLICATION OF PARTICIPATION*  
8                   *EXEMPTION.*—*For purposes of subsection*  
9                   *(c)(1)—*

10                           “(I) *the aggregate amount to*  
11                           *which subparagraph (A) or (B) of sub-*  
12                           *section (c)(1) applies shall be deter-*  
13                           *mined without regard to the election,*

14                           “(II) *each such aggregate amount*  
15                           *shall be allocated to each taxable year*  
16                           *described in paragraph (1)(B) in the*  
17                           *same proportion as the amount in-*  
18                           *cluded in the gross income of such*  
19                           *United States shareholder under sec-*  
20                           *tion 951(a)(1) by reason of this section*  
21                           *is allocated to each such taxable year.*

22                           “(III) *NO INSTALLMENT PAY-*  
23                           *MENTS.*—*The real estate investment*  
24                           *trust may not make an election under*

1                    *subsection (g) for any taxable year de-*  
2                    *scribed in paragraph (1)(B).*

3                    “(ii) *ACCELERATION OF INCLUSION.—*  
4                    *If there is a liquidation or sale of substan-*  
5                    *tially all the assets of the real estate invest-*  
6                    *ment trust (including in a title 11 or simi-*  
7                    *lar case), a cessation of business by such*  
8                    *trust, or any similar circumstance, then*  
9                    *any amount not yet included in gross in-*  
10                    *come under paragraph (1)(B) shall be in-*  
11                    *cluded in gross income as of the day before*  
12                    *the date of the event and the unpaid portion*  
13                    *of any tax liability with respect to such in-*  
14                    *clusion shall be due on the date of such*  
15                    *event (or in the case of a title 11 or similar*  
16                    *case, the day before the petition is filed).*

17                    “(n) *ELECTION NOT TO APPLY NET OPERATING LOSS*  
18                    *DEDUCTION.—*

19                    “(1) *IN GENERAL.—If a United States share-*  
20                    *holder of a deferred foreign income corporation elects*  
21                    *the application of this subsection for the taxable year*  
22                    *described in subsection (a), then the amount described*  
23                    *in paragraph (2) shall not be taken into account—*

1           “(A) in determining the amount of the net  
2           operating loss deduction under section 172 of  
3           such shareholder for such taxable year, or

4           “(B) in determining the amount of taxable  
5           income for such taxable year which may be re-  
6           duced by net operating loss carryovers or  
7           carrybacks to such taxable year under section  
8           172.

9           “(2) *AMOUNT DESCRIBED.*—The amount de-  
10          scribed in this paragraph is the sum of—

11           “(A) the amount required to be taken into  
12           account under section 951(a)(1) by reason of this  
13           section (determined after the application of sub-  
14           section (c)), plus

15           “(B) in the case of a domestic corporation  
16           which chooses to have the benefits of subpart A  
17           of part III of subchapter N for the taxable year,  
18           the taxes deemed to be paid by such corporation  
19           under subsections (a) and (b) of section 960 for  
20           such taxable year with respect to the amount de-  
21           scribed in subparagraph (A) which are treated  
22           as a dividends under section 78.

23           “(3) *ELECTION.*—Any election under this sub-  
24          section shall be made not later than the due date (in-  
25          cluding extensions) for filing the return of tax for the

1       *taxable year and shall be made in such manner as the*  
2       *Secretary shall prescribe.*

3       “(o) *REGULATIONS.*—*The Secretary shall prescribe*  
4       *such regulations or other guidance as may be necessary or*  
5       *appropriate to carry out the provisions of this section, in-*  
6       *cluding—*

7               “(1) *regulations or other guidance to provide ap-*  
8       *propriate basis adjustments, and*

9               “(2) *regulations or other guidance to prevent the*  
10       *avoidance of the purposes of this section, including*  
11       *through a reduction in earnings and profits, through*  
12       *changes in entity classification or accounting meth-*  
13       *ods, or otherwise.”.*

14       “(b) *CLERICAL AMENDMENT.*—*The table of sections for*  
15       *subpart F of part III of subchapter N of chapter 1 is*  
16       *amended by striking the item relating to section 965 and*  
17       *inserting the following:*

      “*Sec. 965. Treatment of deferred foreign income upon transition to participation exemption system of taxation.*”.

1     ***Subpart B—Rules Related to Passive and Mobile***  
 2                                     ***Income***

3     **CHAPTER 1—TAXATION OF FOREIGN-DE-**  
 4         **RIVED INTANGIBLE INCOME AND**  
 5         **GLOBAL INTANGIBLE LOW-TAXED IN-**  
 6         **COME**

7     **SEC. 14201. CURRENT YEAR INCLUSION OF GLOBAL INTAN-**  
 8                     **GIBLE LOW-TAXED INCOME BY UNITED**  
 9                     **STATES SHAREHOLDERS.**

10         *(a) IN GENERAL.—Subpart F of part III of subchapter*  
 11 *N of chapter 1 is amended by inserting after section 951*  
 12 *the following new section:*

13     **“SEC. 951A. GLOBAL INTANGIBLE LOW-TAXED INCOME IN-**  
 14                     **CLUDED IN GROSS INCOME OF UNITED**  
 15                     **STATES SHAREHOLDERS.**

16         *“(a) IN GENERAL.—Each person who is a United*  
 17 *States shareholder of any controlled foreign corporation for*  
 18 *any taxable year of such United States shareholder shall*  
 19 *include in gross income such shareholder’s global intangible*  
 20 *low-taxed income for such taxable year.*

21         *“(b) GLOBAL INTANGIBLE LOW-TAXED INCOME.—For*  
 22 *purposes of this section—*

23                 *“(1) IN GENERAL.—The term ‘global intangible*  
 24 *low-taxed income’ means, with respect to any United*  
 25 *States shareholder for any taxable year of such*  
 26 *United States shareholder, the excess (if any) of—*

1           “(A) such shareholder’s net CFC tested in-  
2           come for such taxable year, over

3           “(B) such shareholder’s net deemed tangible  
4           income return for such taxable year.

5           “(2) NET DEEMED TANGIBLE INCOME RETURN.—  
6           The term ‘net deemed tangible income return’ means,  
7           with respect to any United States shareholder for any  
8           taxable year, the excess of—

9           “(A) 10 percent of the aggregate of such  
10           shareholder’s pro rata share of the qualified busi-  
11           ness asset investment of each controlled foreign  
12           corporation with respect to which such share-  
13           holder is a United States shareholder for such  
14           taxable year (determined for each taxable year of  
15           each such controlled foreign corporation which  
16           ends in or with such taxable year of such United  
17           States shareholder), over

18           “(B) the amount of interest expense taken  
19           into account under subsection (c)(2)(A)(ii) in de-  
20           termining the shareholder’s net CFC tested in-  
21           come for the taxable year to the extent the inter-  
22           est income attributable to such expense is not  
23           taken into account in determining such share-  
24           holder’s net CFC tested income.

1       “(c) *NET CFC TESTED INCOME.*—For purposes of this  
2 *section*—

3               “(1) *IN GENERAL.*—The term ‘net CFC tested in-  
4 *come*’ means, with respect to any United States share-  
5 *holder for any taxable year of such United States*  
6 *shareholder, the excess (if any) of—*

7                       “(A) *the aggregate of such shareholder’s pro*  
8 *rata share of the tested income of each controlled*  
9 *foreign corporation with respect to which such*  
10 *shareholder is a United States shareholder for*  
11 *such taxable year of such United States share-*  
12 *holder (determined for each taxable year of such*  
13 *controlled foreign corporation which ends in or*  
14 *with such taxable year of such United States*  
15 *shareholder), over*

16                       “(B) *the aggregate of such shareholder’s pro*  
17 *rata share of the tested loss of each controlled for-*  
18 *ign corporation with respect to which such*  
19 *shareholder is a United States shareholder for*  
20 *such taxable year of such United States share-*  
21 *holder (determined for each taxable year of such*  
22 *controlled foreign corporation which ends in or*  
23 *with such taxable year of such United States*  
24 *shareholder).*

1           “(2) *TESTED INCOME; TESTED LOSS.*—For pur-  
2       poses of this section—

3           “(A) *TESTED INCOME.*—The term ‘tested in-  
4       come’ means, with respect to any controlled for-  
5       eign corporation for any taxable year of such  
6       controlled foreign corporation, the excess (if any)  
7       of—

8           “(i) the gross income of such corpora-  
9       tion determined without regard to—

10           “(I) any item of income described  
11       in section 952(b),

12           “(II) any gross income taken into  
13       account in determining the subpart F  
14       income of such corporation,

15           “(III) any gross income excluded  
16       from the foreign base company income  
17       (as defined in section 954) and the in-  
18       surance income (as defined in section  
19       953) of such corporation by reason of  
20       section 954(b)(4),

21           “(IV) any dividend received from  
22       a related person (as defined in section  
23       954(d)(3)), and



1                   “(V) *any foreign oil and gas ex-*  
2                   *traction income (as defined in section*  
3                   *907(c)(1)) of such corporation, over*

4                   “(i) *the deductions (including taxes)*  
5                   *properly allocable to such gross income*  
6                   *under rules similar to the rules of section*  
7                   *954(b)(5) (or to which such deductions*  
8                   *would be allocable if there were such gross*  
9                   *income).*

10                  “(B) *TESTED LOSS.—*

11                   “(i) *IN GENERAL.—The term ‘tested*  
12                   *loss’ means, with respect to any controlled*  
13                   *foreign corporation for any taxable year of*  
14                   *such controlled foreign corporation, the ex-*  
15                   *cess (if any) of the amount described in sub-*  
16                   *paragraph (A)(ii) over the amount de-*  
17                   *scribed in subparagraph (A)(i).*

18                   “(ii) *COORDINATION WITH SUBPART F*  
19                   *TO DENY DOUBLE BENEFIT OF LOSSES.—*  
20                   *Section 952(c)(1)(A) shall be applied by in-*  
21                   *creasing the earnings and profits of the con-*  
22                   *trolled foreign corporation by the tested loss*  
23                   *of such corporation.*

24                  “(d) *QUALIFIED BUSINESS ASSET INVESTMENT.—For*  
25                  *purposes of this section—*

1           “(1) *IN GENERAL.*—*The term ‘qualified business*  
2 *asset investment’ means, with respect to any con-*  
3 *trolled foreign corporation for any taxable year, the*  
4 *average of such corporation’s aggregate adjusted bases*  
5 *as of the close of each quarter of such taxable year in*  
6 *specified tangible property—*

7                   “(A) *used in a trade or business of the cor-*  
8 *poration, and*

9                   “(B) *of a type with respect to which a de-*  
10 *duction is allowable under section 167.*

11           “(2) *SPECIFIED TANGIBLE PROPERTY.*—

12                   “(A) *IN GENERAL.*—*The term ‘specified tan-*  
13 *gible property’ means, except as provided in sub-*  
14 *paragraph (B), any tangible property used in*  
15 *the production of tested income.*

16                   “(B) *DUAL USE PROPERTY.*—*In the case of*  
17 *property used both in the production of tested in-*  
18 *come and income which is not tested income,*  
19 *such property shall be treated as specified tan-*  
20 *gible property in the same proportion that the*  
21 *gross income described in subsection (c)(1)(A)*  
22 *produced with respect to such property bears to*  
23 *the total gross income produced with respect to*  
24 *such property.*

1           “(3) *DETERMINATION OF ADJUSTED BASIS.*—For  
2           purposes of this subsection, notwithstanding any pro-  
3           vision of this title (or any other provision of law)  
4           which is enacted after the date of the enactment of  
5           this section, the adjusted basis in any property shall  
6           be determined—

7                   “(A) by using the alternative depreciation  
8                   system under section 168(g), and

9                   “(B) by allocating the depreciation deduc-  
10                  tion with respect to such property ratably to  
11                  each day during the period in the taxable year  
12                  to which such depreciation relates.

13           “(3) *PARTNERSHIP PROPERTY.*—For purposes of  
14           this subsection, if a controlled foreign corporation  
15           holds an interest in a partnership at the close of such  
16           taxable year of the controlled foreign corporation,  
17           such controlled foreign corporation shall take into ac-  
18           count under paragraph (1) the controlled foreign cor-  
19           poration’s distributive share of the aggregate of the  
20           partnership’s adjusted bases (determined as of such  
21           date in the hands of the partnership) in tangible  
22           property held by such partnership to the extent such  
23           property—

24                   “(A) is used in the trade or business of the  
25                  partnership,

1           “(B) is of a type with respect to which a de-  
2           duction is allowable under section 167, and

3           “(C) is used in the production of tested in-  
4           come (determined with respect to such controlled  
5           foreign corporation’s distributive share of income  
6           with respect to such property).

7           For purposes of this paragraph, the controlled foreign  
8           corporation’s distributive share of the adjusted basis  
9           of any property shall be the controlled foreign cor-  
10          poration’s distributive share of income with respect to  
11          such property.

12          “(4) REGULATIONS.—The Secretary shall issue  
13          such regulations or other guidance as the Secretary  
14          determines appropriate to prevent the avoidance of  
15          the purposes of this subsection, including regulations  
16          or other guidance which provide for the treatment of  
17          property if—

18                 “(A) such property is transferred, or held,  
19                 temporarily, or

20                 “(B) the avoidance of the purposes of this  
21                 paragraph is a factor in the transfer or holding  
22                 of such property.

23          “(e) DETERMINATION OF PRO RATA SHARE, ETC.—  
24          For purposes of this section—

1           “(1) *IN GENERAL.*—*The pro rata shares referred*  
2 *to in subsections (b), (c)(1)(A), and (c)(1)(B), respec-*  
3 *tively, shall be determined under the rules of section*  
4 *951(a)(2) in the same manner as such section applies*  
5 *to subpart F income and shall be taken into account*  
6 *in the taxable year of the United States shareholder*  
7 *in which or with which the taxable year of the con-*  
8 *trolled foreign corporation ends.*

9           “(2) *TREATMENT AS UNITED STATES SHARE-*  
10 *HOLDER.*—*A person shall be treated as a United*  
11 *States shareholder of a controlled foreign corporation*  
12 *for any taxable year of such person only if such per-*  
13 *son owns (within the meaning of section 958(a)) stock*  
14 *in such foreign corporation on the last day in the tax-*  
15 *able year of such foreign corporation on which such*  
16 *foreign corporation is a controlled foreign corpora-*  
17 *tion.*

18           “(3) *TREATMENT AS CONTROLLED FOREIGN COR-*  
19 *PORATION.*—*A foreign corporation shall be treated as*  
20 *a controlled foreign corporation for any taxable year*  
21 *if such foreign corporation is a controlled foreign cor-*  
22 *poration at any time during such taxable year.*

23           “(f) *TREATMENT AS SUBPART F INCOME FOR CERTAIN*  
24 *PURPOSES.*—

25           “(1) *IN GENERAL.*—

1           “(A) *APPLICATION.*—*Except as provided in*  
2           *subparagraph (B), any global intangible low-*  
3           *taxed income included in gross income under*  
4           *subsection (a) shall be treated in the same man-*  
5           *ner as an amount included under section*  
6           *951(a)(1)(A) for purposes of applying sections*  
7           *168(h)(2)(B), 535(b)(10), 851(b), 904(h)(1), 959,*  
8           *961, 962, 993(a)(1)(E), 996(f)(1), 1248(b)(1),*  
9           *1248(d)(1), 6501(e)(1)(C), 6654(d)(2)(D), and*  
10           *6655(e)(4).*

11           “(B) *EXCEPTION.*—*The Secretary shall pro-*  
12           *vide rules for the application of subparagraph*  
13           *(A) to other provisions of this title in any case*  
14           *in which the determination of subpart F income*  
15           *is required to be made at the level of the con-*  
16           *trolled foreign corporation.*

17           “(2) *ALLOCATION OF GLOBAL INTANGIBLE LOW-*  
18           *TAXED INCOME TO CONTROLLED FOREIGN CORPORA-*  
19           *TIONS.*—*For purposes of the sections referred to in*  
20           *paragraph (1), with respect to any controlled foreign*  
21           *corporation any pro rata amount from which is taken*  
22           *into account in determining the global intangible low-*  
23           *taxed income included in gross income of a United*  
24           *States shareholder under subsection (a), the portion of*  
25           *such global intangible low-taxed income which is*

1 *treated as being with respect to such controlled foreign*  
2 *corporation is—*

3 *“(A) in the case of a controlled foreign cor-*  
4 *poration with no tested income, zero, and*

5 *“(B) in the case of a controlled foreign cor-*  
6 *poration with tested income, the portion of such*  
7 *global intangible low-taxed income which bears*  
8 *the same ratio to such global intangible low-*  
9 *taxed income as—*

10 *“(i) such United States shareholder’s*  
11 *pro rata amount of the tested income of*  
12 *such controlled foreign corporation, bears to*

13 *“(ii) the aggregate amount described in*  
14 *subsection (c)(1)(A) with respect to such*  
15 *United States shareholder.”.*

16 *(b) FOREIGN TAX CREDIT.—*

17 *(1) APPLICATION OF DEEMED PAID FOREIGN TAX*  
18 *CREDIT.—Section 960 is amended adding at the end*  
19 *the following new subsection:*

20 *“(d) DEEMED PAID CREDIT FOR TAXES PROPERLY*  
21 *ATTRIBUTABLE TO TESTED INCOME.—*

22 *“(1) IN GENERAL.—For purposes of subpart A of*  
23 *this part, if any amount is includible in the gross in-*  
24 *come of a domestic corporation under section 951A,*  
25 *such domestic corporation shall be deemed to have*

1     *paid foreign income taxes equal to 80 percent of the*  
2     *product of—*

3             *“(A) such domestic corporation’s inclusion*  
4             *percentage, multiplied by*

5             *“(B) the aggregate tested foreign income*  
6             *taxes paid or accrued by controlled foreign cor-*  
7             *porations.*

8             *“(2) INCLUSION PERCENTAGE.—For purposes of*  
9             *paragraph (1), the term ‘inclusion percentage’ means,*  
10            *with respect to any domestic corporation, the ratio*  
11            *(expressed as a percentage) of—*

12            *“(A) such corporation’s global intangible*  
13            *low-taxed income (as defined in section 951A(b)),*  
14            *divided by*

15            *“(B) the aggregate amount described in sec-*  
16            *tion 951A(c)(1)(A) with respect to such corpora-*  
17            *tion.*

18            *“(3) TESTED FOREIGN INCOME TAXES.—For*  
19            *purposes of paragraph (1), the term ‘tested foreign in-*  
20            *come taxes’ means, with respect to any domestic cor-*  
21            *poration which is a United States shareholder of a*  
22            *controlled foreign corporation, the foreign income*  
23            *taxes paid or accrued by such foreign corporation*  
24            *which are properly attributable to the tested income*



1 *of such foreign corporation taken into account by such*  
2 *domestic corporation under section 951A.”.*

3 (2) *APPLICATION OF FOREIGN TAX CREDIT LIM-*  
4 *TATION.—*

5 (A) *SEPARATE BASKET FOR GLOBAL INTAN-*  
6 *GIBLE LOW-TAXED INCOME.—Section 904(d)(1)*  
7 *is amended by redesignating subparagraphs (A)*  
8 *and (B) as subparagraphs (B) and (C), respec-*  
9 *tively, and by inserting before subparagraph (B)*  
10 *(as so redesignated) the following new subpara-*  
11 *graph:*

12 “(A) *any amount includible in gross income*  
13 *under section 951A (other than passive category*  
14 *income),”.*

15 (B) *EXCLUSION FROM GENERAL CATEGORY*  
16 *INCOME.—Section 904(d)(2)(A)(ii) is amended*  
17 *by inserting “income described in paragraph*  
18 *(1)(A) and” before “passive category income”.*

19 (C) *NO CARRYOVER OR CARRYBACK OF EX-*  
20 *CESS TAXES.—Section 904(c) is amended by*  
21 *adding at the end the following: “This subsection*  
22 *shall not apply to taxes paid or accrued with re-*  
23 *spect to amounts described in subsection*  
24 *(d)(1)(A).”.*

1       (c) *CLERICAL AMENDMENT.*—*The table of sections for*  
 2 *subpart F of part III of subchapter N of chapter 1 is*  
 3 *amended by inserting after the item relating to section 951*  
 4 *the following new item:*

“Sec. 951A. *Global intangible low-taxed income included in gross income of United States shareholders.*”.

5       (d) *EFFECTIVE DATE.*—*The amendments made by this*  
 6 *section shall apply to taxable years of foreign corporations*  
 7 *beginning after December 31, 2017, and to taxable years*  
 8 *of United States shareholders in which or with which such*  
 9 *taxable years of foreign corporations end.*

10 **SEC. 14202. DEDUCTION FOR FOREIGN-DERIVED INTAN-**  
 11 **GIBLE INCOME AND GLOBAL INTANGIBLE**  
 12 **LOW-TAXED INCOME.**

13       (a) *IN GENERAL.*—*Part VIII of subchapter B of chap-*  
 14 *ter 1 is amended by adding at the end the following new*  
 15 *section:*

16 **“SEC. 250. FOREIGN-DERIVED INTANGIBLE INCOME AND**  
 17 **GLOBAL INTANGIBLE LOW-TAXED INCOME.**

18       “(a) *ALLOWANCE OF DEDUCTION.*—

19               “(1) *IN GENERAL.*—*In the case of a domestic*  
 20 *corporation for any taxable year, there shall be al-*  
 21 *lowed as a deduction an amount equal to the sum*  
 22 *of—*

1           “(A) 37.5 percent of the foreign-derived in-  
2           tangible income of such domestic corporation for  
3           such taxable year, plus

4           “(B) 50 percent of—

5           “(i) the global intangible low-taxed in-  
6           come amount (if any) which is included in  
7           the gross income of such domestic corpora-  
8           tion under section 951A for such taxable  
9           year, and

10           “(ii) the amount treated as a dividend  
11           received by such corporation under section  
12           78 which is attributable to the amount de-  
13           scribed in clause (i).

14           “(2) LIMITATION BASED ON TAXABLE INCOME.—

15           “(A) IN GENERAL.—If, for any taxable  
16           year—

17           “(i) the sum of the foreign-derived in-  
18           tangible income and the global intangible  
19           low-taxed income amount otherwise taken  
20           into account by the domestic corporation  
21           under paragraph (1), exceeds

22           “(ii) the taxable income of the domestic  
23           corporation (determined without regard to  
24           this section),

1           *then the amount of the foreign-derived intangible*  
2           *income and the global intangible low-taxed in-*  
3           *come amount so taken into account shall be re-*  
4           *duced as provided in subparagraph (B).*

5           “(B) *REDUCTION.*—*For purposes of sub-*  
6           *paragraph (A)—*

7                   “(i) *foreign-derived intangible income*  
8                   *shall be reduced by an amount which bears*  
9                   *the same ratio to the excess described in*  
10                   *subparagraph (A) as such foreign-derived*  
11                   *intangible income bears to the sum de-*  
12                   *scribed in subparagraph (A)(i), and*

13                   “(ii) *the global intangible low-taxed*  
14                   *income amount shall be reduced by the re-*  
15                   *mainder of such excess.*

16           “(3) *REDUCTION IN DEDUCTION FOR TAXABLE*  
17           *YEARS AFTER 2025.*—*In the case of any taxable year*  
18           *beginning after December 31, 2025, paragraph (1)*  
19           *shall be applied by substituting—*

20                   “(A) *‘21.875 percent’ for ‘37.5 percent’ in*  
21                   *subparagraph (A), and*

22                   “(B) *‘37.5 percent’ for ‘50 percent’ in sub-*  
23                   *paragraph (B).*

24           “(b) *FOREIGN-DERIVED INTANGIBLE INCOME.*—*For*  
25           *purposes of this section—*

1           “(1) *IN GENERAL.*—*The foreign-derived intan-*  
2 *gible income of any domestic corporation is the*  
3 *amount which bears the same ratio to the deemed in-*  
4 *tangible income of such corporation as—*

5                   “(A) *the foreign-derived deduction eligible*  
6 *income of such corporation, bears to*

7                   “(B) *the deduction eligible income of such*  
8 *corporation.*

9           “(2) *DEEMED INTANGIBLE INCOME.*—*For pur-*  
10 *poses of this subsection—*

11                   “(A) *IN GENERAL.*—*The term ‘deemed in-*  
12 *tangible income’ means the excess (if any) of—*

13                           “(i) *the deduction eligible income of the*  
14 *domestic corporation, over*

15                           “(ii) *the deemed tangible income re-*  
16 *turn of the corporation.*

17                   “(B) *DEEMED TANGIBLE INCOME RE-*  
18 *TURN.*—*The term ‘deemed tangible income re-*  
19 *turn’ means, with respect to any corporation, an*  
20 *amount equal to 10 percent of the corporation’s*  
21 *qualified business asset investment (as defined in*  
22 *section 951A(d), determined by substituting ‘de-*  
23 *duction eligible income’ for ‘tested income’ in*  
24 *paragraph (2) thereof and without regard to*

1           *whether the corporation is a controlled foreign*  
2           *corporation).*

3           “(3) *DEDUCTION ELIGIBLE INCOME.*—

4                   “(A) *IN GENERAL.*—*The term ‘deduction el-*  
5                   *igible income’ means, with respect to any domes-*  
6                   *tic corporation, the excess (if any) of—*

7                           “(i) *gross income of such corporation*  
8                           *determined without regard to—*

9                                   “(I) *any amount included in the*  
10                                   *gross income of such corporation under*  
11                                   *section 951(a)(1),*

12                                   “(II) *the global intangible low-*  
13                                   *taxed income included in the gross in-*  
14                                   *come of such corporation under section*  
15                                   *951A,*

16                                   “(III) *any financial services in-*  
17                                   *come (as defined in section*  
18                                   *904(d)(2)(D)) of such corporation,*

19                                   “(IV) *any dividend received from*  
20                                   *a corporation which is a controlled for-*  
21                                   *ign corporation of such domestic cor-*  
22                                   *poration,*

23                                   “(V) *any domestic oil and gas ex-*  
24                                   *traction income of such corporation,*  
25                                   *and*

1                   “(VI) any foreign branch income  
2                   (as defined in section 904(d)(2)(J)),  
3                   over

4                   “(ii) the deductions (including taxes)  
5                   properly allocable to such gross income.

6                   “(B) DOMESTIC OIL AND GAS EXTRACTION  
7                   INCOME.—For purposes of subparagraph (A), the  
8                   term ‘domestic oil and gas extraction income’  
9                   means income described in section 907(c)(1), de-  
10                  termined by substituting ‘within the United  
11                  States’ for ‘without the United States’.

12                  “(4) FOREIGN-DERIVED DEDUCTION ELIGIBLE  
13                  INCOME.—The term ‘foreign-derived deduction eligible  
14                  income’ means, with respect to any taxpayer for any  
15                  taxable year, any deduction eligible income of such  
16                  taxpayer which is derived in connection with—

17                         “(A) property—

18                                 “(i) which is sold by the taxpayer to  
19                                 any person who is not a United States per-  
20                                 son, and

21                                 “(ii) which the taxpayer establishes to  
22                                 the satisfaction of the Secretary is for a for-  
23                                 eign use, or

24                                 “(B) services provided by the taxpayer  
25                                 which the taxpayer establishes to the satisfaction

1           *of the Secretary are provided to any person, or*  
2           *with respect to property, not located within the*  
3           *United States.*

4           “(5) *RULES RELATING TO FOREIGN USE PROP-*  
5           *ERTY OR SERVICES.—For purposes of this sub-*  
6           *section—*

7                   “(A) *FOREIGN USE.—The term ‘foreign use’*  
8                   *means any use, consumption, or disposition*  
9                   *which is not within the United States.*

10                   “(B) *PROPERTY OR SERVICES PROVIDED TO*  
11                   *DOMESTIC INTERMEDIARIES.—*

12                           “(i) *PROPERTY.—If a taxpayer sells*  
13                           *property to another person (other than a re-*  
14                           *lated party) for further manufacture or*  
15                           *other modification within the United States,*  
16                           *such property shall not be treated as sold*  
17                           *for a foreign use even if such other person*  
18                           *subsequently uses such property for a for-*  
19                           *ign use.*

20                           “(ii) *SERVICES.—If a taxpayer pro-*  
21                           *vides services to another person (other than*  
22                           *a related party) located within the United*  
23                           *States, such services shall not be treated as*  
24                           *described in paragraph (4)(B) even if such*



1            *other person uses such services in providing*  
2            *services which are so described.*

3            “(C) *SPECIAL RULES WITH RESPECT TO RE-*  
4            *LATED PARTY TRANSACTIONS.—*

5            “(i) *SALES TO RELATED PARTIES.—If*  
6            *property is sold to a related party who is*  
7            *not a United States person, such sale shall*  
8            *not be treated as for a foreign use unless—*

9            “(I) *such property is ultimately*  
10           *sold by a related party, or used by a*  
11           *related party in connection with prop-*  
12           *erty which is sold or the provision of*  
13           *services, to another person who is an*  
14           *unrelated party who is not a United*  
15           *States person, and*

16           “(II) *the taxpayer establishes to*  
17           *the satisfaction of the Secretary that*  
18           *such property is for a foreign use.*

19           *For purposes of this clause, a sale of prop-*  
20           *erty shall be treated as a sale of each of the*  
21           *components thereof.*

22           “(ii) *SERVICE PROVIDED TO RELATED*  
23           *PARTIES.—If a service is provided to a re-*  
24           *lated party who is not located in the United*  
25           *States, such service shall not be treated de-*

1           scribed in subparagraph (A)(ii) unless the  
2           taxpayer established to the satisfaction of  
3           the Secretary that such service is not sub-  
4           stantially similar to services provided by  
5           such related party to persons located within  
6           the United States.

7           “(D) *RELATED PARTY*.—For purposes of  
8           this paragraph, the term ‘related party’ means  
9           any member of an affiliated group as defined in  
10          section 1504(a), determined—

11                   “(i) by substituting ‘more than 50 per-  
12                   cent’ for ‘at least 80 percent’ each place it  
13                   appears, and

14                   “(ii) without regard to paragraphs (2)  
15                   and (3) of section 1504(b).

16          Any person (other than a corporation) shall be  
17          treated as a member of such group if such person  
18          is controlled by members of such group (includ-  
19          ing any entity treated as a member of such  
20          group by reason of this sentence) or controls any  
21          such member. For purposes of the preceding sen-  
22          tence, control shall be determined under the rules  
23          of section 954(d)(3).

24           “(E) *SOLD*.—For purposes of this sub-  
25          section, the terms ‘sold’, ‘sells’, and ‘sale’ shall

1           include any lease, license, exchange, or other dis-  
2           position.

3           “(c) *REGULATIONS.*—The Secretary shall prescribe  
4 such regulations or other guidance as may be necessary or  
5 appropriate to carry out the provisions of this section.”.

6           (b) *CONFORMING AMENDMENTS.*—

7           (1) Section 172(d), as amended by this Act, is  
8 amended by adding at the end the following new  
9 paragraph:

10           “(9) *DEDUCTION FOR FOREIGN-DERIVED INTAN-*  
11 *GIBLE INCOME.*—The deduction under section 250  
12 shall not be allowed.”.

13           (2) Section 246(b)(1) is amended—

14           (A) by striking “and subsection (a) and (b)  
15 of section 245” the first place it appears and in-  
16 serting “, subsection (a) and (b) of section 245,  
17 and section 250”,

18           (B) by striking “and subsection (a) and (b)  
19 of section 245” the second place it appears and  
20 inserting “subsection (a) and (b) of section 245,  
21 and 250”.

22           (3) Section 469(i)(3)(F)(iii) is amended by strik-  
23 ing “and 222” and inserting “222, and 250”.

1           (4) *The table of sections for part VIII of sub-*  
 2           *chapter B of chapter 1 is amended by adding at the*  
 3           *end the following new item:*

          “*Sec. 250. Foreign-derived intangible income and global intangible low-taxed in-*  
           *come.*”.

4           (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 5           *section shall apply to taxable years beginning after Decem-*  
 6           *ber 31, 2017.*

7           **CHAPTER 2—OTHER MODIFICATIONS OF**  
 8           **SUBPART F PROVISIONS**

9           **SEC. 14211. ELIMINATION OF INCLUSION OF FOREIGN BASE**  
 10           **COMPANY OIL RELATED INCOME.**

11           (a) *REPEAL.*—*Subsection (a) of section 954 is amend-*  
 12           *ed—*

13                   (1) *by inserting “and” at the end of paragraph*

14                   (2),

15                   (2) *by striking the comma at the end of para-*  
 16                   *graph (3) and inserting a period, and*

17                   (3) *by striking paragraph (5).*

18           (b) *CONFORMING AMENDMENTS.*—

19                   (1) *Section 952(c)(1)(B)(iii) is amended by*  
 20                   *striking subclause (I) and redesignating subclauses*  
 21                   *(II) through (V) as subclauses (I) through (IV), re-*  
 22                   *spectively.*

23                   (2) *Section 954(b) is amended—*

1           (A) by striking the second sentence of para-  
2           graph (4),

3           (B) by striking “the foreign base company  
4           services income, and the foreign base company  
5           oil related income” in paragraph (5) and insert-  
6           ing “and the foreign base company services in-  
7           come”, and

8           (C) by striking paragraph (6).

9           (3) Section 954 is amended by striking sub-  
10          section (g).

11          (c) *EFFECTIVE DATE.*—The amendments made by this  
12          section shall apply to taxable years of foreign corporations  
13          beginning after December 31, 2017, and to taxable years  
14          of United States shareholders with or within which such  
15          taxable years of foreign corporations end.

16          **SEC. 14212. REPEAL OF INCLUSION BASED ON WITHDRAWAL**  
17                                   **OF PREVIOUSLY EXCLUDED SUBPART F IN-**  
18                                   **COME FROM QUALIFIED INVESTMENT.**

19          (a) *IN GENERAL.*—Subpart F of part III of subchapter  
20          N of chapter 1 is amended by striking section 955.

21          (b) *CONFORMING AMENDMENTS.*—

22                  (1)(A) Section 951(a)(1)(A) is amended to read  
23          as follows:

1           “(A) his pro rata share (determined under  
2           paragraph (2)) of the corporation’s subpart F  
3           income for such year, and”.

4           (B) Section 851(b) is amended by striking “sec-  
5           tion 951(a)(1)(A)(i)” in the flush language at the end  
6           and inserting “section 951(a)(1)(A)”.

7           (C) Section 952(c)(1)(B)(i) is amended by strik-  
8           ing “section 951(a)(1)(A)(i)” and inserting “section  
9           951(a)(1)(A)”.

10          (D) Section 953(c)(1)(C) is amended by striking  
11          “section 951(a)(1)(A)(i)” and inserting “section  
12          951(a)(1)(A)”.

13          (2) Section 951(a) is amended by striking para-  
14          graph (3).

15          (3) Section 953(d)(4)(B)(iv)(II) is amended by  
16          striking “or amounts referred to in clause (ii) or (iii)  
17          of section 951(a)(1)(A)”.

18          (4) Section 964(b) is amended by striking “,  
19          955,”.

20          (5) Section 970 is amended by striking sub-  
21          section (b).

22          (6) The table of sections for subpart F of part III  
23          of subchapter N of chapter 1 is amended by striking  
24          the item relating to section 955.

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to taxable years of foreign corporations*  
 3 *beginning after December 31, 2017, and to taxable years*  
 4 *of United States shareholders in which or with which such*  
 5 *taxable years of foreign corporations end.*

6 **SEC. 14213. MODIFICATION OF STOCK ATTRIBUTION RULES**  
 7                   **FOR DETERMINING STATUS AS A CON-**  
 8                   **TROLLED FOREIGN CORPORATION.**

9       (a) *IN GENERAL.*—*Section 958(b) is amended—*  
 10               (1) *by striking paragraph (4), and*  
 11               (2) *by striking “Paragraphs (1) and (4)” in the*  
 12 *last sentence and inserting “Paragraph (1)”.*

13       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 14 *section shall apply to—*

15               (1) *the last taxable year of foreign corporations*  
 16 *beginning before January 1, 2018, and each subse-*  
 17 *quent taxable year of such foreign corporations, and*  
 18               (2) *taxable years of United States shareholders*  
 19 *in which or with which such taxable years of foreign*  
 20 *corporations end.*

21 **SEC. 14214. MODIFICATION OF DEFINITION OF UNITED**  
 22                   **STATES SHAREHOLDER.**

23       (a) *IN GENERAL.*—*Section 951(b) is amended by in-*  
 24 *serting “, or 10 percent or more of the total value of shares*

1 of all classes of stock of such foreign corporation” after  
 2 “such foreign corporation”.

3 (b) *EFFECTIVE DATE.*—The amendment made by this  
 4 section shall apply to taxable years of foreign corporations  
 5 beginning after December 31, 2017, and to taxable years  
 6 of United States shareholders with or within which such  
 7 taxable years of foreign corporations end.

8 **SEC. 14215. ELIMINATION OF REQUIREMENT THAT COR-**  
 9 **PORATION MUST BE CONTROLLED FOR 30**  
 10 **DAYS BEFORE SUBPART F INCLUSIONS**  
 11 **APPLY.**

12 (a) *IN GENERAL.*—Section 951(a)(1) is amended by  
 13 striking “for an uninterrupted period of 30 days or more”  
 14 and inserting “at any time”.

15 (b) *EFFECTIVE DATE.*—The amendment made by this  
 16 section shall apply to taxable years of foreign corporations  
 17 beginning after December 31, 2017, and to taxable years  
 18 of United States shareholders with or within which such  
 19 taxable years of foreign corporations end.

20 **CHAPTER 3—PREVENTION OF BASE**  
 21 **EROSION**

22 **SEC. 14221. LIMITATIONS ON INCOME SHIFTING THROUGH**  
 23 **INTANGIBLE PROPERTY TRANSFERS.**

24 (a) *DEFINITION OF INTANGIBLE ASSET.*—Section  
 25 936(h)(3)(B) is amended—



1           (1) *by striking “or” at the end of clause (v),*

2           (2) *by striking clause (vi) and inserting the fol-*  
3 *lowing:*

4                   “(vi) *any goodwill, going concern*  
5 *value, or workforce in place (including its*  
6 *composition and terms and conditions (con-*  
7 *tractual or otherwise) of its employment); or*

8                   “(vii) *any other item the value or po-*  
9 *tential value of which is not attributable to*  
10 *tangible property or the services of any in-*  
11 *dividual.”, and*

12           (3) *by striking the flush language after clause*  
13 *(vii), as added by paragraph (2).*

14           (b) *CLARIFICATION OF ALLOWABLE VALUATION METH-*  
15 *ODS.—*

16                   (1) *FOREIGN CORPORATIONS.—Section 367(d)(2)*  
17 *is amended by adding at the end the following new*  
18 *subparagraph:*

19                           “(D) *REGULATORY AUTHORITY.—For pur-*  
20 *poses of the last sentence of subparagraph (A),*  
21 *the Secretary shall require—*

22                                   “(i) *the valuation of transfers of intan-*  
23 *gible property, including intangible prop-*  
24 *erty transferred with other property or serv-*  
25 *ices, on an aggregate basis, or*

1                   “(ii) the valuation of such a transfer  
2                   on the basis of the realistic alternatives to  
3                   such a transfer,  
4                   if the Secretary determines that such basis is the  
5                   most reliable means of valuation of such trans-  
6                   fers.”.

7                   (2) *ALLOCATION AMONG TAXPAYERS.*—Section  
8                   482 is amended by adding at the end the following:  
9                   “*For purposes of this section, the Secretary shall re-*  
10                  *quire the valuation of transfers of intangible property*  
11                  *(including intangible property transferred with other*  
12                  *property or services) on an aggregate basis or the*  
13                  *valuation of such a transfer on the basis of the real-*  
14                  *istic alternatives to such a transfer, if the Secretary*  
15                  *determines that such basis is the most reliable means*  
16                  *of valuation of such transfers.”.*

17                  (c) *EFFECTIVE DATE.*—

18                   (1) *IN GENERAL.*—*The amendments made by*  
19                   *this section shall apply to transfers in taxable years*  
20                   *beginning after December 31, 2017.*

21                   (2) *NO INFERENCE.*—*Nothing in the amendment*  
22                   *made by subsection (a) shall be construed to create*  
23                   *any inference with respect to the application of sec-*  
24                   *tion 936(h)(3) of the Internal Revenue Code of 1986,*  
25                   *or the authority of the Secretary of the Treasury to*

1        *provide regulations for such application, with respect*  
2        *to taxable years beginning before January 1, 2018.*

3        **SEC. 14222. CERTAIN RELATED PARTY AMOUNTS PAID OR**  
4                                    **ACCRUED IN HYBRID TRANSACTIONS OR**  
5                                    **WITH HYBRID ENTITIES.**

6        *(a) IN GENERAL.—Part IX of subchapter B of chapter*  
7        *1 is amended by inserting after section 267 the following:*

8        **“SEC. 267A. CERTAIN RELATED PARTY AMOUNTS PAID OR**  
9                                    **ACCRUED IN HYBRID TRANSACTIONS OR**  
10                                   **WITH HYBRID ENTITIES.**

11        *“(a) IN GENERAL.—No deduction shall be allowed*  
12        *under this chapter for any disqualified related party*  
13        *amount paid or accrued pursuant to a hybrid transaction*  
14        *or by, or to, a hybrid entity.*

15        *“(b) DISQUALIFIED RELATED PARTY AMOUNT.—For*  
16        *purposes of this section—*

17                    *“(1) DISQUALIFIED RELATED PARTY AMOUNT.—*  
18        *The term ‘disqualified related party amount’ means*  
19        *any interest or royalty paid or accrued to a related*  
20        *party to the extent that—*

21                    *“(A) such amount is not included in the in-*  
22                    *come of such related party under the tax law of*  
23                    *the country of which such related party is a resi-*  
24                    *dent for tax purposes or is subject to tax, or*

1           “(B) such related party is allowed a deduc-  
2           tion with respect to such amount under the tax  
3           law of such country.

4           Such term shall not include any payment to the ex-  
5           tent such payment is included in the gross income of  
6           a United States shareholder under section 951(a).

7           “(2) *RELATED PARTY*.—The term ‘related party’  
8           means a related person as defined in section  
9           954(d)(3), except that such section shall be applied  
10          with respect to the person making the payment de-  
11          scribed in paragraph (1) in lieu of the controlled for-  
12          eign corporation otherwise referred to in such section.

13          “(c) *HYBRID TRANSACTION*.—For purposes of this sec-  
14          tion, the term ‘hybrid transaction’ means any transaction,  
15          series of transactions, agreement, or instrument one or more  
16          payments with respect to which are treated as interest or  
17          royalties for purposes of this chapter and which are not so  
18          treated for purposes the tax law of the foreign country of  
19          which the recipient of such payment is resident for tax pur-  
20          poses or is subject to tax.

21          “(d) *HYBRID ENTITY*.—For purposes of this section,  
22          the term ‘hybrid entity’ means any entity which is either—

23                  “(1) treated as fiscally transparent for purposes  
24                  of this chapter but not so treated for purposes of the

1 *tax law of the foreign country of which the entity is*  
2 *resident for tax purposes or is subject to tax, or*

3 *“(2) treated as fiscally transparent for purposes*  
4 *of such tax law but not so treated for purposes of this*  
5 *chapter.*

6 *“(e) REGULATIONS.—The Secretary shall issue such*  
7 *regulations or other guidance as may be necessary or appro-*  
8 *priate to carry out the purposes of this section, including*  
9 *regulations or other guidance providing for—*

10 *“(1) rules for treating certain conduit arrange-*  
11 *ments which involve a hybrid transaction or a hybrid*  
12 *entity as subject to subsection (a),*

13 *“(2) rules for the application of this section to*  
14 *branches or domestic entities,*

15 *“(3) rules for treating certain structured trans-*  
16 *actions as subject to subsection (a),*

17 *“(4) rules for treating a tax preference as an ex-*  
18 *clusion from income for purposes of applying sub-*  
19 *section (b)(1) if such tax preference has the effect of*  
20 *reducing the generally applicable statutory rate by 25*  
21 *percent or more,*

22 *“(5) rules for treating the entire amount of in-*  
23 *terest or royalty paid or accrued to a related party*  
24 *as a disqualified related party amount if such*  
25 *amount is subject to a participation exemption sys-*

1        *tem or other system which provides for the exclusion*  
 2        *or deduction of a substantial portion of such amount,*

3            *“(6) rules for determining the tax residence of a*  
 4        *foreign entity if the entity is otherwise considered a*  
 5        *resident of more than one country or of no country,*

6            *“(7) exceptions from subsection (a) with respect*  
 7        *to—*

8            *“(A) cases in which the disqualified related*  
 9        *party amount is taxed under the laws of a for-*  
 10       *foreign country other than the country of which the*  
 11       *related party is a resident for tax purposes, and*

12           *“(B) other cases which the Secretary deter-*  
 13       *mines do not present a risk of eroding the Fed-*  
 14       *eral tax base,*

15           *“(8) requirements for record keeping and infor-*  
 16       *mation reporting in addition to any requirements*  
 17       *imposed by section 6038A.”.*

18        *(b) CONFORMING AMENDMENT.—The table of sections*  
 19       *for part IX of subchapter B of chapter 1 is amended by*  
 20       *inserting after the item relating to section 267 the following*  
 21       *new item:*

*“Sec. 267A. Certain related party amounts paid or accrued in hybrid trans-*  
*actions or with hybrid entities.”.*

22        *(c) EFFECTIVE DATE.—The amendments made by this*  
 23       *section shall apply to taxable years beginning after Decem-*  
 24       *ber 31, 2017.*

1 **SEC. 14223. SHAREHOLDERS OF SURROGATE FOREIGN COR-**  
2 **PORATIONS NOT ELIGIBLE FOR REDUCED**  
3 **RATE ON DIVIDENDS.**

4 (a) *IN GENERAL.*—Section 1(h)(11)(C)(iii) is amend-  
5 ed—

6 (1) by striking “shall not include any foreign  
7 corporation” and inserting “shall not include—

8 “(I) any foreign corporation”,

9 (2) by striking the period at the end and insert-  
10 ing “, and”, and

11 (3) by adding at the end the following new sub-  
12 clause:

13 “(II) any corporation which first  
14 becomes a surrogate foreign corpora-  
15 tion (as defined in section  
16 7874(a)(2)(B)) after the date of the en-  
17 actment of this subclause, other than a  
18 foreign corporation which is treated as  
19 a domestic corporation under section  
20 7874(b).”.

21 (b) *EFFECTIVE DATE.*—The amendments made by this  
22 section shall apply to dividends received after the date of  
23 the enactment of this Act.

1     **Subpart C—Modifications Related to Foreign Tax**  
2                                     **Credit System**

3     **SEC. 14301. REPEAL OF SECTION 902 INDIRECT FOREIGN**  
4                                     **TAX CREDITS; DETERMINATION OF SECTION**  
5                                     **960 CREDIT ON CURRENT YEAR BASIS.**

6             *(a) REPEAL OF SECTION 902 INDIRECT FOREIGN TAX*  
7     *CREDITS.—Subpart A of part III of subchapter N of chap-*  
8     *ter 1 is amended by striking section 902.*

9             *(b) DETERMINATION OF SECTION 960 CREDIT ON CUR-*  
10     *RENT YEAR BASIS.—Section 960, as amended by section*  
11     *14201, is amended—*

12                     *(1) by striking subsection (c), by redesignating*  
13             *subsection (b) as subsection (c), by striking all that*  
14             *precedes subsection (c) (as so redesignated) and in-*  
15             *serting the following:*

16     **“SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLU-**  
17                                     **SIONS.**

18             **“(a) IN GENERAL.—For purposes of subpart A of this**  
19     **part, if there is included in the gross income of a domestic**  
20     **corporation any item of income under section 951(a)(1)**  
21     **with respect to any controlled foreign corporation with re-**  
22     **spect to which such domestic corporation is a United States**  
23     **shareholder, such domestic corporation shall be deemed to**  
24     **have paid so much of such foreign corporation’s foreign in-**  
25     **come taxes as are properly attributable to such item of in-**  
26     **come.**



1       “(b) *SPECIAL RULES FOR DISTRIBUTIONS FROM PRE-*  
2 *VIOUSLY TAXED EARNINGS AND PROFITS.*—For purposes of  
3 *subpart A of this part—*

4               “(1) *IN GENERAL.*—If any portion of a distribu-  
5 *tion from a controlled foreign corporation to a domes-*  
6 *tic corporation which is a United States shareholder*  
7 *with respect to such controlled foreign corporation is*  
8 *excluded from gross income under section 959(a), such*  
9 *domestic corporation shall be deemed to have paid so*  
10 *much of such foreign corporation’s foreign income*  
11 *taxes as—*

12                       “(A) *are properly attributable to such por-*  
13 *tion, and*

14                       “(B) *have not been deemed to have to been*  
15 *paid by such domestic corporation under this*  
16 *section for the taxable year or any prior taxable*  
17 *year.*

18               “(2) *TIERED CONTROLLED FOREIGN CORPORA-*  
19 *TIONS.*—If section 959(b) applies to any portion of a  
20 *distribution from a controlled foreign corporation to*  
21 *another controlled foreign corporation, such controlled*  
22 *foreign corporation shall be deemed to have paid so*  
23 *much of such other controlled foreign corporation’s*  
24 *foreign income taxes as—*

1           “(A) are properly attributable to such por-  
2           tion, and

3           “(B) have not been deemed to have been  
4           paid by a domestic corporation under this sec-  
5           tion for the taxable year or any prior taxable  
6           year.”,

7           (2) and by adding after subsection (d) (as added  
8           by section 14201) the following new subsections:

9           “(e) *FOREIGN INCOME TAXES.*—The term ‘foreign in-  
10          come taxes’ means any income, war profits, or excess profits  
11          taxes paid or accrued to any foreign country or possession  
12          of the United States.

13          “(f) *REGULATIONS.*—The Secretary shall prescribe  
14          such regulations or other guidance as may be necessary or  
15          appropriate to carry out the provisions of this section.”.

16          (c) *CONFORMING AMENDMENTS.*—

17                 (1) Section 78 is amended to read as follows:

18          **“SEC. 78. GROSS UP FOR DEEMED PAID FOREIGN TAX CRED-**

19                         **IT.**

20                 *“If a domestic corporation chooses to have the benefits*  
21                 *of subpart A of part III of subchapter N (relating to foreign*  
22                 *tax credit) for any taxable year, an amount equal to the*  
23                 *taxes deemed to be paid by such corporation under sub-*  
24                 *sections (a), (b), and (d) of section 960 (determined without*  
25                 *regard to the phrase ‘80 percent of’ in subsection (d)(1)*

1 *thereof) for such taxable year shall be treated for purposes*  
2 *of this title (other than sections 245 and 245A) as a divi-*  
3 *dend received by such domestic corporation from the foreign*  
4 *corporation.”.*

5 *(2) Paragraph (4) of section 245(a) is amended*  
6 *to read as follows:*

7 *“(4) POST-1986 UNDISTRIBUTED EARNINGS.—The*  
8 *term ‘post-1986 undistributed earnings’ means the*  
9 *amount of the earnings and profits of the foreign cor-*  
10 *poration (computed in accordance with sections*  
11 *964(a) and 986) accumulated in taxable years begin-*  
12 *ning after December 31, 1986—*

13 *“(A) as of the close of the taxable year of the*  
14 *foreign corporation in which the dividend is dis-*  
15 *tributed, and*

16 *“(B) without diminution by reason of divi-*  
17 *dends distributed during such taxable year.”.*

18 *(3) Section 245(a)(10)(C) is amended by striking*  
19 *“902, 907, and 960” and inserting “907 and 960”.*

20 *(4) Sections 535(b)(1) and 545(b)(1) are each*  
21 *amended by striking “section 902(a) or 960(a)(1)”*  
22 *and inserting “section 960”.*

23 *(5) Section 814(f)(1) is amended—*

24 *(A) by striking subparagraph (B), and*

1           (B) by striking all that precedes “No in-  
2           come” and inserting the following:

3           “(1) *TREATMENT OF FOREIGN TAXES.—*”.

4           (6) Section 865(h)(1)(B) is amended by striking  
5           “902, 907,” and inserting “907”.

6           (7) Section 901(a) is amended by striking “sec-  
7           tions 902 and 960” and inserting “section 960”.

8           (8) Section 901(e)(2) is amended by striking  
9           “but is not limited to—” and all that follows through  
10           “that portion” and inserting “but is not limited to  
11           that portion”.

12           (9) Section 901(f) is amended by striking “sec-  
13           tions 902 and 960” and inserting “section 960”.

14           (10) Section 901(j)(1)(A) is amended by striking  
15           “902 or”.

16           (11) Section 901(j)(1)(B) is amended by striking  
17           “sections 902 and 960” and inserting “section 960”.

18           (12) Section 901(k)(2) is amended by striking “,  
19           902,”.

20           (13) Section 901(k)(6) is amended by striking  
21           “902 or”.

22           (14) Section 901(m)(1)(B) is amended to read as  
23           follows:

1           “(B) in the case of a foreign income tax  
2           paid by a foreign corporation, shall not be taken  
3           into account for purposes of section 960.”.

4           (15) Section 904(d)(2)(E) is amended—

5           (A) by amending clause (i) to read as fol-  
6           lows:

7                   “(i)   NONCONTROLLED   10-PERCENT  
8                   OWNED FOREIGN CORPORATION.—The term  
9                   ‘noncontrolled 10-percent owned foreign cor-  
10                  poration’ means any foreign corporation  
11                  which is—

12                           “(I) a specified 10-percent owned  
13                           foreign corporation (as defined in sec-  
14                           tion 245A(b)), or

15                           “(II) a passive foreign investment  
16                           company (as defined in section  
17                           1297(a)) with respect to which the tax-  
18                           payer meets the stock ownership re-  
19                           quirements of section 902(a) (or, for  
20                           purposes of applying paragraphs (3)  
21                           and (4), the requirements of section  
22                           902(b)).

23           A controlled foreign corporation shall not be  
24           treated as a noncontrolled 10-percent owned  
25           foreign corporation with respect to any dis-

1            *tribution out of its earnings and profits for*  
2            *periods during which it was a controlled*  
3            *foreign corporation. Any reference to section*  
4            *902 in this clause shall be treated as a ref-*  
5            *erence to such section as in effect before its*  
6            *repeal.”, and*

7            *(B) by striking “non-controlled section 902*  
8            *corporation” in clause (ii) and inserting “non-*  
9            *controlled 10-percent owned foreign corporation”.*  
10          *(16) Section 904(d)(4) is amended—*

11            *(A) by striking “noncontrolled section 902*  
12            *corporation” each place it appears and inserting*  
13            *“noncontrolled 10-percent owned foreign corpora-*  
14            *tion”,*

15            *(B) by striking “NONCONTROLLED SECTION*  
16            *902 CORPORATIONS” in the heading thereof and*  
17            *inserting “NONCONTROLLED 10-PERCENT OWNED*  
18            *FOREIGN CORPORATIONS”.*

19            *(17) Section 904(d)(6)(A) is amended by striking*  
20            *“902, 907,” and inserting “907”.*

21            *(18) Section 904(h)(10)(A) is amended by strik-*  
22            *ing “sections 902, 907, and 960” and inserting “sec-*  
23            *tions 907 and 960”.*

24            *(19) Section 904(k) is amended to read as fol-*  
25            *lows:*

1       “(k) *CROSS REFERENCES.*—*For increase of limitation*  
2 *under subsection (a) for taxes paid with respect to amounts*  
3 *received which were included in the gross income of the tax-*  
4 *payer for a prior taxable year as a United States share-*  
5 *holder with respect to a controlled foreign corporation, see*  
6 *section 960(c).*”.

7           (20) *Section 905(c)(1) is amended by striking*  
8 *the last sentence.*

9           (21) *Section 905(c)(2)(B)(i) is amended to read*  
10 *as follows:*

11                   “(i) *shall be taken into account for the*  
12 *taxable year to which such taxes relate,*  
13 *and*”.

14           (22) *Section 906(a) is amended by striking “(or*  
15 *deemed, under section 902, paid or accrued during*  
16 *the taxable year)*”.

17           (23) *Section 906(b) is amended by striking para-*  
18 *graphs (4) and (5).*

19           (24) *Section 907(b)(2)(B) is amended by striking*  
20 *“902 or”.*

21           (25) *Section 907(c)(3)(A) is amended—*

22                   (A) *by striking subparagraph (A) and in-*  
23 *serting the following:*

1           “(A) interest, to the extent the category of  
2 income of such interest is determined under sec-  
3 tion 904(d)(3),”, and

4           (B) by striking “section 960(a)” in sub-  
5 paragraph (B) and inserting “section 960”.

6           (26) Section 907(c)(5) is amended by striking  
7 “902 or”.

8           (27) Section 907(f)(2)(B)(i) is amended by strik-  
9 ing “902 or”.

10          (28) Section 908(a) is amended by striking “902  
11 or”.

12          (29) Section 909(b) is amended—

13           (A) by striking “section 902 corporation” in  
14 the matter preceding paragraph (1) and insert-  
15 ing “specified 10-percent owned foreign corpora-  
16 tion (as defined in section 245A(b) without re-  
17 gard to paragraph (2) thereof)”,

18           (B) by striking “902 or” in paragraph (1),

19           (C) by striking “by such section 902 cor-  
20 poration” and all that follows in the matter fol-  
21 lowing paragraph (2) and inserting “by such  
22 specified 10-percent owned foreign corporation or  
23 a domestic corporation which is a United States  
24 shareholder with respect to such specified 10-per-  
25 cent owned foreign corporation.”, and



1           (D) by striking “SECTION 902 CORPORA-  
2           TIONS” in the heading thereof and inserting  
3           “SPECIFIED 10-PERCENT OWNED FOREIGN COR-  
4           PORATIONS”.

5           (30) Section 909(d) is amended by striking  
6           paragraph (5).

7           (31) Section 958(a)(1) is amended by striking  
8           “960(a)(1)” and inserting “960”.

9           (32) Section 959(d) is amended by striking “Ex-  
10          cept as provided in section 960(a)(3), any” and in-  
11          serting “Any”.

12          (33) Section 959(e) is amended by striking “sec-  
13          tion 960(b)” and inserting “section 960(c)”.

14          (34) Section 1291(g)(2)(A) is amended by strik-  
15          ing “any distribution—” and all that follows through  
16          “but only if” and inserting “any distribution, any  
17          withholding tax imposed with respect to such dis-  
18          tribution, but only if”.

19          (35) Section 1293(f) is amended by striking  
20          “and” at the end of paragraph (1), by striking the pe-  
21          riod at the end of paragraph (2) and inserting “,  
22          and”, and by adding at the end the following new  
23          paragraph:

24                 “(3) a domestic corporation which owns (or is  
25                 treated under section 1298(a) as owning) stock of a

1 *qualified electing fund shall be treated in the same*  
2 *manner as a United States shareholder of a controlled*  
3 *foreign corporation (and such qualified electing fund*  
4 *shall be treated in the same manner as such controlled*  
5 *foreign corporation) if such domestic corporation*  
6 *meets the stock ownership requirements of subsection*  
7 *(a) or (b) of section 902 (as in effect before its repeal)*  
8 *with respect to such qualified electing fund.”.*

9 (36) Section 6038(c)(1)(B) is amended by strik-  
10 ing “sections 902 (relating to foreign tax credit for  
11 corporate stockholder in foreign corporation) and 960  
12 (relating to special rules for foreign tax credit)” and  
13 inserting “section 960”.

14 (37) Section 6038(c)(4) is amended by striking  
15 subparagraph (C).

16 (38) The table of sections for subpart A of part  
17 III of subchapter N of chapter 1 is amended by strik-  
18 ing the item relating to section 902.

19 (39) The table of sections for subpart F of part  
20 III of subchapter N of chapter 1 is amended by strik-  
21 ing the item relating to section 960 and inserting the  
22 following:

“Sec. 960. Deemed paid credit for subpart F inclusions.”.

23 (d) *EFFECTIVE DATE.*—The amendments made by this  
24 section shall apply to taxable years of foreign corporations  
25 beginning after December 31, 2017, and to taxable years

1 of United States shareholders in which or with which such  
2 taxable years of foreign corporations end.

3 **SEC. 14302. SEPARATE FOREIGN TAX CREDIT LIMITATION**  
4 **BASKET FOR FOREIGN BRANCH INCOME.**

5 (a) *IN GENERAL.*—Section 904(d)(1), as amended by  
6 section 14201, is amended by redesignating subparagraphs  
7 (B) and (C) as subparagraphs (C) and (D), respectively,  
8 and by inserting after subparagraph (A) the following new  
9 subparagraph:

10 “(B) foreign branch income,”

11 (b) *FOREIGN BRANCH INCOME.*—

12 (1) *IN GENERAL.*—Section 904(d)(2) is amended  
13 by inserting after subparagraph (I) the following new  
14 subparagraph:

15 “(J) *FOREIGN BRANCH INCOME.*—

16 “(i) *IN GENERAL.*—The term ‘foreign  
17 branch income’ means the business profits of  
18 such United States person which are attrib-  
19 utable to 1 or more qualified business units  
20 (as defined in section 989(a)) in 1 or more  
21 foreign countries. For purposes of the pre-  
22 ceding sentence, the amount of business  
23 profits attributable to a qualified business  
24 unit shall be determined under rules estab-  
25 lished by the Secretary.

1                   “(i) *EXCEPTION.*—Such term shall not  
2                   include any income which is passive cat-  
3                   egory income.”.

4                   (2)       *CONFORMING AMENDMENT.*—Section  
5                   904(d)(2)(A)(ii), as amended by section 14201, is  
6                   amended by striking “income described in paragraph  
7                   (1)(A) and” and inserting “income described in para-  
8                   graph (1)(A), foreign branch income, and”.

9                   (c) *EFFECTIVE DATE.*—The amendments made by this  
10                  section shall apply to taxable years beginning after Decem-  
11                  ber 31, 2017.

12       **SEC. 14303. SOURCE OF INCOME FROM SALES OF INVEN-**  
13                   **TORY DETERMINED SOLELY ON BASIS OF**  
14                   **PRODUCTION ACTIVITIES.**

15                  (a) *IN GENERAL.*—Section 863(b) is amended by add-  
16                  ing at the end the following: “Gains, profits, and income  
17                  from the sale or exchange of inventory property described  
18                  in paragraph (2) shall be allocated and apportioned be-  
19                  tween sources within and without the United States solely  
20                  on the basis of the production activities with respect to the  
21                  property.”.

22                  (b) *EFFECTIVE DATE.*—The amendment made by this  
23                  section shall apply to taxable years beginning after Decem-  
24                  ber 31, 2017.

1 **SEC. 14304. ELECTION TO INCREASE PERCENTAGE OF DO-**  
2 **MESTIC TAXABLE INCOME OFFSET BY OVER-**  
3 **ALL DOMESTIC LOSS TREATED AS FOREIGN**  
4 **SOURCE.**

5 (a) *IN GENERAL.*—Section 904(g) is amended by add-  
6 ing at the end the following new paragraph:

7 “(5) *ELECTION TO INCREASE PERCENTAGE OF*  
8 *TAXABLE INCOME TREATED AS FOREIGN SOURCE.*—

9 “(A) *IN GENERAL.*—If any pre-2018 unused  
10 overall domestic loss is taken into account under  
11 paragraph (1) for any applicable taxable year,  
12 the taxpayer may elect to have such paragraph  
13 applied to such loss by substituting a percentage  
14 greater than 50 percent (but not greater than  
15 100 percent) for 50 percent in subparagraph (B)  
16 thereof.

17 “(B) *PRE-2018 UNUSED OVERALL DOMESTIC*  
18 *LOSS.*—For purposes of this paragraph, the term  
19 ‘pre-2018 unused overall domestic loss’ means  
20 any overall domestic loss which—

21 “(i) arises in a qualified taxable year  
22 beginning before January 1, 2018, and

23 “(ii) has not been used under para-  
24 graph (1) for any taxable year beginning  
25 before such date.

1           “(C) *APPLICABLE TAXABLE YEAR.*—For  
 2           purposes of this paragraph, the term ‘applicable  
 3           taxable year’ means any taxable year of the tax-  
 4           payer beginning after December 31, 2017, and  
 5           before January 1, 2028.”.

6           (b) *EFFECTIVE DATE.*—The amendment made by this  
 7           section shall apply to taxable years beginning after Decem-  
 8           ber 31, 2017.

9           **PART II—INBOUND TRANSACTIONS**

10          **SEC. 14401. BASE EROSION AND ANTI-ABUSE TAX.**

11          (a) *IMPOSITION OF TAX.*—Subchapter A of chapter 1  
 12          is amended by adding at the end the following new part:

13          **“PART VII—BASE EROSION AND ANTI-ABUSE TAX**

            “Sec. 59A. Tax on base erosion payments of taxpayers with substantial gross re-  
             ceipts.

14          **“SEC. 59A. TAX ON BASE EROSION PAYMENTS OF TAX-**  
 15                                   **PAYERS WITH SUBSTANTIAL GROSS RE-**  
 16                                   **CEIPTS.**

17          “(a) *IMPOSITION OF TAX.*—There is hereby imposed on  
 18          each applicable taxpayer for any taxable year a tax equal  
 19          to the base erosion minimum tax amount for the taxable  
 20          year. Such tax shall be in addition to any other tax imposed  
 21          by this subtitle.

22          “(b) *BASE EROSION MINIMUM TAX AMOUNT.*—For  
 23          purposes of this section—

1           “(1) *IN GENERAL.*—*Except as provided in para-*  
2 *graphs (2) and (3), the term ‘base erosion minimum*  
3 *tax amount’ means, with respect to any applicable*  
4 *taxpayer for any taxable year, the excess (if any) of—*

5                   “(A) *an amount equal to 10 percent (5 per-*  
6 *cent in the case of taxable years beginning in*  
7 *calendar year 2018) of the modified taxable in-*  
8 *come of such taxpayer for the taxable year, over*

9                   “(B) *an amount equal to the regular tax li-*  
10 *ability (as defined in section 26(b)) of the tax-*  
11 *payer for the taxable year, reduced (but not*  
12 *below zero) by the excess (if any) of—*

13                   “(i) *the credits allowed under this*  
14 *chapter against such regular tax liability,*  
15 *over*

16                   “(ii) *the sum of—*

17                   “(I) *the credit allowed under sec-*  
18 *tion 38 for the taxable year which is*  
19 *properly allocable to the research credit*  
20 *determined under section 41(a), plus*

21                   “(II) *the portion of the applicable*  
22 *section 38 credits not in excess of 80*  
23 *percent of the lesser of the amount of*  
24 *such credits or the base erosion min-*

1                    *imum tax amount (determined without*  
2                    *regard to this subclause).*

3                    “(2) *MODIFICATIONS FOR TAXABLE YEARS BE-*  
4                    *GINNING AFTER 2025.—In the case of any taxable year*  
5                    *beginning after December 31, 2025, paragraph (1)*  
6                    *shall be applied—*

7                    “(A) *by substituting ‘12.5 percent’ for ‘10*  
8                    *percent’ in subparagraph (A) thereof, and*

9                    “(B) *by reducing (but not below zero) the*  
10                    *regular tax liability (as defined in section 26(b))*  
11                    *for purposes of subparagraph (B) thereof by the*  
12                    *aggregate amount of the credits allowed under*  
13                    *this chapter against such regular tax liability*  
14                    *rather than the excess described in such subpara-*  
15                    *graph.*

16                    “(3) *INCREASED RATE FOR CERTAIN BANKS AND*  
17                    *SECURITIES DEALERS.—*

18                    “(A) *IN GENERAL.—In the case of a tax-*  
19                    *payer described in subparagraph (B) who is an*  
20                    *applicable taxpayer for any taxable year, the*  
21                    *percentage otherwise in effect under paragraphs*  
22                    *(1)(A) and (2)(A) shall each be increased by one*  
23                    *percentage point.*

24                    “(B) *TAXPAYER DESCRIBED.—A taxpayer*  
25                    *is described in this subparagraph if such tax-*



1           payer is a member of an affiliated group (as de-  
2           fined in section 1504(a)(1)) which includes—

3                   “(i) a bank (as defined in section 581),

4                   or

5                   “(ii) a registered securities dealer  
6                   under section 15(a) of the Securities Ex-  
7                   change Act of 1934.

8           “(4) *APPLICABLE SECTION 38 CREDITS.*—For  
9           purposes of paragraph (1)(B)(ii)(II), the term ‘appli-  
10           cable section 38 credits’ means the credit allowed  
11           under section 38 for the taxable year which is prop-  
12           erly allocable to—

13                   “(A) the low-income housing credit deter-  
14                   mined under section 42(a),

15                   “(B) the renewable electricity production  
16                   credit determined under section 45(a), and

17                   “(C) the investment credit determined under  
18                   section 46, but only to the extent properly allo-  
19                   cable to the energy credit determined under sec-  
20                   tion 48.

21           “(c) *MODIFIED TAXABLE INCOME.*—For purposes of  
22           this section—

23                   “(1) *IN GENERAL.*—The term ‘modified taxable  
24                   income’ means the taxable income of the taxpayer

1       *computed under this chapter for the taxable year, de-*  
2       *termined without regard to—*

3               “(A) *any base erosion tax benefit with re-*  
4               *spect to any base erosion payment, or*

5               “(B) *the base erosion percentage of any net*  
6               *operating loss deduction allowed under section*  
7               *172 for the taxable year.*

8       “(2) *BASE EROSION TAX BENEFIT.—*

9               “(A) *IN GENERAL.—The term ‘base erosion*  
10              *tax benefit’ means—*

11                   “(i) *any deduction described in sub-*  
12                   *section (d)(1) which is allowed under this*  
13                   *chapter for the taxable year with respect to*  
14                   *any base erosion payment,*

15                   “(ii) *in the case of a base erosion pay-*  
16                   *ment described in subsection (d)(2), any de-*  
17                   *duction allowed under this chapter for the*  
18                   *taxable year for depreciation (or amortiza-*  
19                   *tion in lieu of depreciation) with respect to*  
20                   *the property acquired with such payment,*

21                   “(iii) *in the case of a base erosion pay-*  
22                   *ment described in subsection (d)(3)—*

23                           “(I) *any reduction under section*  
24                           *803(a)(1)(B) in the gross amount of*  
25                           *premiums and other consideration on*

1           *insurance and annuity contracts for*  
2           *premiums and other consideration*  
3           *arising out of indemnity insurance,*  
4           *and*

5                   “(II) *any deduction under section*  
6                   *832(b)(4)(A) from the amount of gross*  
7                   *premiums written on insurance con-*  
8                   *tracts during the taxable year for pre-*  
9                   *miums paid for reinsurance, and*

10                   “(iv) *in the case of a base erosion pay-*  
11                   *ment described in subsection (d)(4), any re-*  
12                   *duction in gross receipts with respect to*  
13                   *such payment in computing gross income of*  
14                   *the taxpayer for the taxable year for pur-*  
15                   *poses of this chapter.*

16                   “(B) *TAX BENEFITS DISREGARDED IF TAX*  
17                   *WITHHELD ON BASE EROSION PAYMENT.—*

18                           “(i) *IN GENERAL.—Except as provided*  
19                           *in clause (ii), any base erosion tax benefit*  
20                           *attributable to any base erosion payment—*

21                                   “(I) *on which tax is imposed by*  
22                                   *section 871 or 881, and*

23   “(II) *with respect to which tax*  
24   *has been deducted and withheld under*  
25   *section 1441 or 1442,*

1           *shall not be taken into account in com-*  
2           *puting modified taxable income under para-*  
3           *graph (1)(A) or the base erosion percentage*  
4           *under paragraph (4).*

5           “(i) *EXCEPTION.—The amount not*  
6           *taken into account in computing modified*  
7           *taxable income by reason of clause (i) shall*  
8           *be reduced under rules similar to the rules*  
9           *under section 163(j)(5)(B) (as in effect be-*  
10          *fore the date of the enactment of the Tax*  
11          *Cuts and Jobs Act).*

12          “(3) *SPECIAL RULES FOR DETERMINING INTER-*  
13          *EST FOR WHICH DEDUCTION ALLOWED.—For pur-*  
14          *poses of applying paragraph (1), in the case of a tax-*  
15          *payer to which section 163(j) applies for the taxable*  
16          *year, the reduction in the amount of interest for*  
17          *which a deduction is allowed by reason of such sub-*  
18          *section shall be treated as allocable first to interest*  
19          *paid or accrued to persons who are not related parties*  
20          *with respect to the taxpayer and then to such related*  
21          *parties.*

22          “(4) *BASE EROSION PERCENTAGE.—For pur-*  
23          *poses of paragraph (1)(B)—*

1           “(A) *IN GENERAL.*—*The term ‘base erosion*  
2 *percentage’ means, for any taxable year, the per-*  
3 *centage determined by dividing—*

4                   “(i) *the aggregate amount of base ero-*  
5 *sion tax benefits of the taxpayer for the tax-*  
6 *able year, by*

7                   “(ii) *the sum of—*

8                           “(I) *the aggregate amount of the*  
9 *deductions (including deductions de-*  
10 *scribed in clauses (i) and (ii) of para-*  
11 *graph (2)(A)) allowable to the taxpayer*  
12 *under this chapter for the taxable year,*  
13 *plus*

14                           “(II) *the base erosion tax benefits*  
15 *described in clauses (iii) and (iv) of*  
16 *paragraph (2)(A) allowable to the tax-*  
17 *payer for the taxable year.*

18           “(B) *CERTAIN ITEMS NOT TAKEN INTO AC-*  
19 *COUNT.*—*The amount under subparagraph*  
20 *(A)(ii) shall be determined by not taking into ac-*  
21 *count—*

22                   “(i) *any deduction allowed under sec-*  
23 *tion 172, 245A, or 250 for the taxable year,*

1           “(ii) any deduction for amounts paid  
2           or accrued for services to which the excep-  
3           tion under subsection (d)(5) applies, and

4           “(iii) any deduction for qualified de-  
5           rivative payments which are not treated as  
6           a base erosion payment by reason of sub-  
7           section (h).

8           “(d) *BASE EROSION PAYMENT.*—For purposes of this  
9           section—

10           “(1) *IN GENERAL.*—The term ‘base erosion pay-  
11           ment’ means any amount paid or accrued by the tax-  
12           payer to a foreign person which is a related party of  
13           the taxpayer and with respect to which a deduction  
14           is allowable under this chapter.

15           “(2) *PURCHASE OF DEPRECIABLE PROPERTY.*—  
16           Such term shall also include any amount paid or ac-  
17           crued by the taxpayer to a foreign person which is a  
18           related party of the taxpayer in connection with the  
19           acquisition by the taxpayer from such person of prop-  
20           erty of a character subject to the allowance for depre-  
21           ciation (or amortization in lieu of depreciation).

22           “(3) *REINSURANCE PAYMENTS.*—Such term shall  
23           also include any premium or other consideration paid  
24           or accrued by the taxpayer to a foreign person which  
25           is a related party of the taxpayer for any reinsurance

1       *payments which are taken into account under sections*  
2       *803(a)(1)(B) or 832(b)(4)(A).*

3               “(4) *CERTAIN PAYMENTS TO EXPATRIATED ENTI-*  
4       *TIES.—*

5               “(A) *IN GENERAL.—Such term shall also*  
6       *include any amount paid or accrued by the tax-*  
7       *payer with respect to a person described in sub-*  
8       *paragraph (B) which results in a reduction of*  
9       *the gross receipts of the taxpayer.*

10              “(B) *PERSON DESCRIBED.—A person is de-*  
11       *scribed in this subparagraph if such person is*  
12       *a—*

13              “(i) *surrogate foreign corporation*  
14       *which is a related party of the taxpayer,*  
15       *but only if such person first became a surro-*  
16       *gate foreign corporation after November 9,*  
17       *2017, or*

18              “(ii) *foreign person which is a member*  
19       *of the same expanded affiliated group as the*  
20       *surrogate foreign corporation.*

21              “(C) *DEFINITIONS.—For purposes of this*  
22       *paragraph—*

23              “(i) *SURROGATE FOREIGN CORPORA-*  
24       *TION.—The term ‘surrogate foreign corpora-*  
25       *tion’ has the meaning given such term by*

1            *section 7874(a)(2)(B) but does not include a*  
2            *foreign corporation treated as a domestic*  
3            *corporation under section 7874(b).*

4            “(ii) *EXPANDED AFFILIATED GROUP.*—  
5            *The term ‘expanded affiliated group’ has the*  
6            *meaning given such term by section*  
7            *7874(c)(1).*

8            “(5) *EXCEPTION FOR CERTAIN AMOUNTS WITH*  
9            *RESPECT TO SERVICES.*—*Paragraph (1) shall not*  
10           *apply to any amount paid or accrued by a taxpayer*  
11           *for services if—*

12           “(A) *such services are services which meet*  
13           *the requirements for eligibility for use of the*  
14           *services cost method under section 482 (deter-*  
15           *mined without regard to the requirement that the*  
16           *services not contribute significantly to funda-*  
17           *mental risks of business success or failure), and*

18           “(B) *such amount constitutes the total serv-*  
19           *ices cost with no markup component.*

20           “(e) *APPLICABLE TAXPAYER.*—*For purposes of this*  
21           *section—*

22           “(1) *IN GENERAL.*—*The term ‘applicable tax-*  
23           *payer’ means, with respect to any taxable year, a tax-*  
24           *payer—*



1           “(A) which is a corporation other than a  
2 regulated investment company, a real estate in-  
3 vestment trust, or an S corporation,

4           “(B) the average annual gross receipts of  
5 which for the 3-taxable-year period ending with  
6 the preceding taxable year are at least  
7 \$500,000,000, and

8           “(C) the base erosion percentage (as deter-  
9 mined under subsection (c)(4)) of which for the  
10 taxable year is 3 percent (2 percent in the case  
11 of a taxpayer described in subsection (b)(3)(B))  
12 or higher.

13           “(2) GROSS RECEIPTS.—

14           “(A) SPECIAL RULE FOR FOREIGN PER-  
15 SONS.—In the case of a foreign person the gross  
16 receipts of which are taken into account for pur-  
17 poses of paragraph (1)(B), only gross receipts  
18 which are taken into account in determining in-  
19 come which is effectively connected with the con-  
20 duct of a trade or business within the United  
21 States shall be taken into account. In the case of  
22 a taxpayer which is a foreign person, the pre-  
23 ceding sentence shall not apply to the gross re-  
24 ceipts of any United States person which are ag-

1           gregated with the taxpayer’s gross receipts by  
2           reason of paragraph (3).

3           “(B) *OTHER RULES MADE APPLICABLE.*—  
4           Rules similar to the rules of subparagraphs (B),  
5           (C), and (D) of section 448(c)(3) shall apply in  
6           determining gross receipts for purposes of this  
7           section.

8           “(3) *AGGREGATION RULES.*—All persons treated  
9           as a single employer under subsection (a) of section  
10          52 shall be treated as 1 person for purposes of this  
11          subsection and subsection (c)(4), except that in apply-  
12          ing section 1563 for purposes of section 52, the excep-  
13          tion for foreign corporations under section  
14          1563(b)(2)(C) shall be disregarded.

15          “(f) *FOREIGN PERSON.*—For purposes of this section,  
16          the term ‘foreign person’ has the meaning given such term  
17          by section 6038A(c)(3).

18          “(g) *RELATED PARTY.*—For purposes of this section—

19                  “(1) *IN GENERAL.*—The term ‘related party’  
20                  means, with respect to any applicable taxpayer—

21                          “(A) any 25-percent owner of the taxpayer,

22                          “(B) any person who is related (within the  
23                          meaning of section 267(b) or 707(b)(1)) to the  
24                          taxpayer or any 25-percent owner of the tax-  
25                          payer, and

1           “(C) any other person who is related (with-  
2           in the meaning of section 482) to the taxpayer.

3           “(2) 25-PERCENT OWNER.—The term ‘25-percent  
4           owner’ means, with respect to any corporation, any  
5           person who owns at least 25 percent of—

6           “(A) the total voting power of all classes of  
7           stock of a corporation entitled to vote, or

8           “(B) the total value of all classes of stock of  
9           such corporation.

10          “(3) SECTION 318 TO APPLY.—Section 318 shall  
11          apply for purposes of paragraphs (1) and (2), except  
12          that—

13          “(A) ‘10 percent’ shall be substituted for ‘50  
14          percent’ in section 318(a)(2)(C), and

15          “(B) subparagraphs (A), (B), and (C) of  
16          section 318(a)(3) shall not be applied so as to  
17          consider a United States person as owning stock  
18          which is owned by a person who is not a United  
19          States person.

20          “(h) EXCEPTION FOR CERTAIN PAYMENTS MADE IN  
21          THE ORDINARY COURSE OF TRADE OR BUSINESS.—For  
22          purposes of this section—

23          “(1) IN GENERAL.—Except as provided in para-  
24          graph (3), any qualified derivative payment shall not  
25          be treated as a base erosion payment.

1           “(2) *QUALIFIED DERIVATIVE PAYMENT.*—

2                   “(A) *IN GENERAL.*—*The term ‘qualified de-*  
3                   *rivative payment’ means any payment made by*  
4                   *a taxpayer pursuant to a derivative with respect*  
5                   *to which the taxpayer—*

6                           “(i) *recognizes gain or loss as if such*  
7                           *derivative were sold for its fair market*  
8                           *value on the last business day of the taxable*  
9                           *year (and such additional times as required*  
10                           *by this title or the taxpayer’s method of ac-*  
11                           *counting),*

12                           “(ii) *treats any gain or loss so recog-*  
13                           *nized as ordinary, and*

14                           “(iii) *treats the character of all items*  
15                           *of income, deduction, gain, or loss with re-*  
16                           *spect to a payment pursuant to the deriva-*  
17                           *tive as ordinary.*

18                   “(B) *REPORTING REQUIREMENT.*—*No pay-*  
19                   *ments shall be treated as qualified derivative*  
20                   *payments under subparagraph (A) for any tax-*  
21                   *able year unless the taxpayer includes in the in-*  
22                   *formation required to be reported under section*  
23                   *6038B(b)(2) with respect to such taxable year*  
24                   *such information as is necessary to identify the*  
25                   *payments to be so treated and such other infor-*

1            *mation as the Secretary determines necessary to*  
2            *carry out the provisions of this subsection.*

3            “(3) *EXCEPTIONS FOR PAYMENTS OTHERWISE*  
4            *TREATED AS BASE EROSION PAYMENTS.—This sub-*  
5            *section shall not apply to any qualified derivative*  
6            *payment if—*

7                    “(A) *the payment would be treated as a*  
8                    *base erosion payment if it were not made pursu-*  
9                    *ant to a derivative, including any interest, roy-*  
10                   *alty, or service payment, or*

11                   “(B) *in the case of a contract which has de-*  
12                   *rivative and nonderivative components, the pay-*  
13                   *ment is properly allocable to the nonderivative*  
14                   *component.*

15            “(4) *DERIVATIVE DEFINED.—For purposes of*  
16            *this subsection—*

17                   “(A) *IN GENERAL.—The term ‘derivative’*  
18                   *means any contract (including any option, for-*  
19                   *ward contract, futures contract, short position,*  
20                   *swap, or similar contract) the value of which, or*  
21                   *any payment or other transfer with respect to*  
22                   *which, is (directly or indirectly) determined by*  
23                   *reference to one or more of the following:*

24                            “(i) *Any share of stock in a corpora-*  
25                            *tion.*

1                   “(ii) *Any evidence of indebtedness.*

2                   “(iii) *Any commodity which is actively*  
3                   *traded.*

4                   “(iv) *Any currency.*

5                   “(v) *Any rate, price, amount, index,*  
6                   *formula, or algorithm.*

7                   *Such term shall not include any item described*  
8                   *in clauses (i) through (v).*

9                   “(B) *TREATMENT OF AMERICAN DEPOSI-*  
10                   *TORY RECEIPTS AND SIMILAR INSTRUMENTS.—*  
11                   *Except as otherwise provided by the Secretary,*  
12                   *for purposes of this part, American depository*  
13                   *receipts (and similar instruments) with respect*  
14                   *to shares of stock in foreign corporations shall be*  
15                   *treated as shares of stock in such foreign cor-*  
16                   *porations.*

17                   “(C) *EXCEPTION FOR CERTAIN CON-*  
18                   *TRACTS.—Such term shall not include any in-*  
19                   *surance, annuity, or endowment contract issued*  
20                   *by an insurance company to which subchapter L*  
21                   *applies (or issued by any foreign corporation to*  
22                   *which such subchapter would apply if such for-*  
23                   *foreign corporation were a domestic corporation).*

24                   “(i) *REGULATIONS.—The Secretary shall prescribe*  
25                   *such regulations or other guidance as may be necessary or*

1 *appropriate to carry out the provisions of this section, in-*  
2 *cluding regulations—*

3           “(1) *providing for such adjustments to the appli-*  
4 *cation of this section as are necessary to prevent the*  
5 *avoidance of the purposes of this section, including*  
6 *through—*

7                   “(A) *the use of unrelated persons, conduit*  
8 *transactions, or other intermediaries, or*

9                   “(B) *transactions or arrangements designed,*  
10 *in whole or in part—*

11                           “(i) *to characterize payments otherwise*  
12 *subject to this section as payments not sub-*  
13 *ject to this section, or*

14                           “(ii) *to substitute payments not subject*  
15 *to this section for payments otherwise sub-*  
16 *ject to this section and*

17                   “(2) *for the application of subsection (g), includ-*  
18 *ing rules to prevent the avoidance of the exceptions*  
19 *under subsection (g)(3).”.*

20 *(b) REPORTING REQUIREMENTS AND PENALTIES.—*

21           (1) *IN GENERAL.—Subsection (b) of section*  
22 *6038A is amended to read as follows:*

23           “(b) *REQUIRED INFORMATION.—*

24                   “(1) *IN GENERAL.—For purposes of subsection*  
25 *(a), the information described in this subsection is*

1 *such information as the Secretary prescribes by regu-*  
2 *lations relating to—*

3 *“(A) the name, principal place of business,*  
4 *nature of business, and country or countries in*  
5 *which organized or resident, of each person*  
6 *which—*

7 *“(i) is a related party to the reporting*  
8 *corporation, and*

9 *“(ii) had any transaction with the re-*  
10 *porting corporation during its taxable year,*

11 *“(B) the manner in which the reporting*  
12 *corporation is related to each person referred to*  
13 *in subparagraph (A), and*

14 *“(C) transactions between the reporting cor-*  
15 *poration and each foreign person which is a re-*  
16 *lated party to the reporting corporation.*

17 *“(2) ADDITIONAL INFORMATION REGARDING*  
18 *BASE EROSION PAYMENTS.—For purposes of sub-*  
19 *section (a) and section 6038C, if the reporting cor-*  
20 *poration or the foreign corporation to whom section*  
21 *6038C applies is an applicable taxpayer, the informa-*  
22 *tion described in this subsection shall include—*

23 *“(A) such information as the Secretary de-*  
24 *termines necessary to determine the base erosion*  
25 *minimum tax amount, base erosion payments,*



1           *and base erosion tax benefits of the taxpayer for*  
2           *purposes of section 59A for the taxable year, and*

3           “(B) *such other information as the Sec-*  
4           *retary determines necessary to carry out such*  
5           *section.*”

6           *For purposes of this paragraph, any term used in this*  
7           *paragraph which is also used in section 59A shall*  
8           *have the same meaning as when used in such sec-*  
9           *tion.”.*

10           (2) *INCREASE IN PENALTY.—Paragraphs (1) and*  
11           (2) *of section 6038A(d) are each amended by striking*  
12           “\$10,000” *and inserting “\$25,000”.*

13           (c) *DISALLOWANCE OF CREDITS AGAINST BASE ERO-*  
14           *SION TAX.—Paragraph (2) of section 26(b) is amended by*  
15           *inserting after subparagraph (A) the following new sub-*  
16           *paragraph:*

17                           “(B) *section 59A (relating to base erosion*  
18                           *and anti-abuse tax),”.*

19           (d) *CONFORMING AMENDMENTS.—*

20                           (1) *The table of parts for subchapter A of chapter*  
21                           *1 is amended by adding after the item relating to*  
22                           *part VI the following new item:*

  “PART VII. *BASE EROSION AND ANTI-ABUSE TAX*”.

23                           (2) *Paragraph (1) of section 882(a), as amended*  
24                           *by this Act, is amended by inserting “ or 59A,” after*  
25                           “*section 11,*”.

1           (3) *Subparagraph (A) of section 6425(c)(1), as*  
2 *amended by section 13001, is amended to read as fol-*  
3 *lows:*

4                   “(A) *the sum of—*

5                           “(i) *the tax imposed by section 11, or*  
6 *subchapter L of chapter 1, whichever is ap-*  
7 *plicable, plus*

8                           “(ii) *the tax imposed by section 59A,*  
9 *over”.*

10           (4)(A) *Subparagraph (A) of section 6655(g)(1),*  
11 *as amended by sections 12001 and 13001, is amended*  
12 *by striking “plus” at the end of clause (i), by redesign-*  
13 *ating clause (ii) as clause (iii), and by inserting*  
14 *after clause (i) the following new clause:*

15                           “(ii) *the tax imposed by section 59A,*  
16 *plus”.*

17           (B) *Subparagraphs (A)(i) and (B)(i) of section*  
18 *6655(e)(2), as amended by sections 12001 and 13001,*  
19 *are each amended by inserting “and modified taxable*  
20 *income” after “taxable income”.*

21           (C) *Subparagraph (B) of section 6655(e)(2) is*  
22 *amended by adding at the end the following new*  
23 *clause:*

24                           “(iii) *MODIFIED TAXABLE INCOME.—*

25                           *The term ‘modified taxable income’ has the*

1           *meaning given such term by section*  
 2           *59A(c)(1).”.*

3           *(e) EFFECTIVE DATE.—The amendments made by this*  
 4 *section shall apply to base erosion payments (as defined in*  
 5 *section 59A(d) of the Internal Revenue Code of 1986, as*  
 6 *added by this section) paid or accrued in taxable years be-*  
 7 *ginning after December 31, 2017.*

8           **PART III—OTHER PROVISIONS**

9   **SEC. 14501. RESTRICTION ON INSURANCE BUSINESS EXCEP-**  
 10           **TION TO PASSIVE FOREIGN INVESTMENT**  
 11           **COMPANY RULES.**

12           *(a) IN GENERAL.—Section 1297(b)(2)(B) is amended*  
 13 *to read as follows:*

14                   *“(B) derived in the active conduct of an in-*  
 15                   *surance business by a qualifying insurance cor-*  
 16                   *poration (as defined in subsection (f)),”.*

17           *(b) QUALIFYING INSURANCE CORPORATION DE-*  
 18 *FINED.—Section 1297 is amended by adding at the end the*  
 19 *following new subsection:*

20                   *“(f) QUALIFYING INSURANCE CORPORATION.—For*  
 21 *purposes of subsection (b)(2)(B)—*

22                           *“(1) IN GENERAL.—The term ‘qualifying insur-*  
 23                           *ance corporation’ means, with respect to any taxable*  
 24                           *year, a foreign corporation—*

1           “(A) which would be subject to tax under  
2           subchapter L if such corporation were a domestic  
3           corporation, and

4           “(B) the applicable insurance liabilities of  
5           which constitute more than 25 percent of its  
6           total assets, determined on the basis of such li-  
7           abilities and assets as reported on the corpora-  
8           tion’s applicable financial statement for the last  
9           year ending with or within the taxable year.

10          “(2) *ALTERNATIVE FACTS AND CIRCUMSTANCES*  
11          *TEST FOR CERTAIN CORPORATIONS.*—If a corporation  
12          fails to qualify as a qualified insurance corporation  
13          under paragraph (1) solely because the percentage de-  
14          termined under paragraph (1)(B) is 25 percent or  
15          less, a United States person that owns stock in such  
16          corporation may elect to treat such stock as stock of  
17          a qualifying insurance corporation if—

18                 “(A) the percentage so determined for the  
19                 corporation is at least 10 percent, and

20                 “(B) under regulations provided by the Sec-  
21                 retary, based on the applicable facts and cir-  
22                 cumstances—

23                         “(i) the corporation is predominantly  
24                         engaged in an insurance business, and

1           “(i) such failure is due solely to run-  
2           off-related or rating-related circumstances  
3           involving such insurance business.

4           “(3) *APPLICABLE INSURANCE LIABILITIES.*—For  
5           purposes of this subsection—

6           “(A) *IN GENERAL.*—The term ‘applicable  
7           insurance liabilities’ means, with respect to any  
8           life or property and casualty insurance busi-  
9           ness—

10           “(i) loss and loss adjustment expenses,  
11           and

12           “(ii) reserves (other than deficiency,  
13           contingency, or unearned premium reserves)  
14           for life and health insurance risks and life  
15           and health insurance claims with respect to  
16           contracts providing coverage for mortality  
17           or morbidity risks.

18           “(B) *LIMITATIONS ON AMOUNT OF LIABIL-*  
19           *ITIES.*—Any amount determined under clause (i)  
20           or (ii) of subparagraph (A) shall not exceed the  
21           lesser of such amount—

22           “(i) as reported to the applicable in-  
23           surance regulatory body in the applicable  
24           financial statement described in paragraph

1           (4)(A) (or, if less, the amount required by  
2           applicable law or regulation), or

3           “(ii) as determined under regulations  
4           prescribed by the Secretary.

5           “(4) OTHER DEFINITIONS AND RULES.—For  
6           purposes of this subsection—

7           “(A) APPLICABLE FINANCIAL STATEMENT.—  
8           The term ‘applicable financial statement’ means  
9           a statement for financial reporting purposes  
10          which—

11           “(i) is made on the basis of generally  
12          accepted accounting principles,

13           “(ii) is made on the basis of inter-  
14          national financial reporting standards, but  
15          only if there is no statement that meets the  
16          requirement of clause (i), or

17           “(iii) except as otherwise provided by  
18          the Secretary in regulations, is the annual  
19          statement which is required to be filed with  
20          the applicable insurance regulatory body,  
21          but only if there is no statement which  
22          meets the requirements of clause (i) or (ii).

23           “(B) APPLICABLE INSURANCE REGULATORY  
24          BODY.—The term ‘applicable insurance regu-  
25          latory body’ means, with respect to any insur-

1            *ance business, the entity established by law to li-*  
2            *cence, authorize, or regulate such business and to*  
3            *which the statement described in subparagraph*  
4            *(A) is provided.”.*

5            *(c) EFFECTIVE DATE.—The amendments made by this*  
6            *section shall apply to taxable years beginning after Decem-*  
7            *ber 31, 2017.*

8            **SEC. 14502. REPEAL OF FAIR MARKET VALUE METHOD OF**  
9            **INTEREST EXPENSE APPORTIONMENT.**

10           *(a) IN GENERAL.—Paragraph (2) of section 864(e) is*  
11           *amended to read as follows:*

12                    *“(2) GROSS INCOME AND FAIR MARKET VALUE*  
13                    *METHODS MAY NOT BE USED FOR INTEREST.—All al-*  
14                    *locations and apportionments of interest expense shall*  
15                    *be determined using the adjusted bases of assets rather*  
16                    *than on the basis of the fair market value of the assets*  
17                    *or gross income.”.*

18           *(b) EFFECTIVE DATE.—The amendment made by this*  
19           *section shall apply to taxable years beginning after Decem-*  
20           *ber 31, 2017.*

21    **TITLE II**

22           **SEC. 20001. OIL AND GAS PROGRAM.**

23           *(a) DEFINITIONS.—In this section:*

24                    *(1) COASTAL PLAIN.—The term “Coastal Plain”*  
25                    *means the area identified as the 1002 Area on the*

1 *plates prepared by the United States Geological Sur-*  
2 *vey entitled “ANWR Map – Plate 1” and “ANWR*  
3 *Map – Plate 2”, dated October 24, 2017, and on file*  
4 *with the United States Geological Survey and the Of-*  
5 *fice of the Solicitor of the Department of the Interior.*

6 (2) *SECRETARY.—The term “Secretary” means*  
7 *the Secretary of the Interior, acting through the Bu-*  
8 *reau of Land Management.*

9 (b) *OIL AND GAS PROGRAM.—*

10 (1) *IN GENERAL.—Section 1003 of the Alaska*  
11 *National Interest Lands Conservation Act (16 U.S.C.*  
12 *3143) shall not apply to the Coastal Plain.*

13 (2) *ESTABLISHMENT.—*

14 (A) *IN GENERAL.—The Secretary shall es-*  
15 *tablish and administer a competitive oil and gas*  
16 *program for the leasing, development, produc-*  
17 *tion, and transportation of oil and gas in and*  
18 *from the Coastal Plain.*

19 (B) *PURPOSES.—Section 303(2)(B) of the*  
20 *Alaska National Interest Lands Conservation Act*  
21 *(Public Law 96–487; 94 Stat. 2390) is amend-*  
22 *ed—*

23 (i) *in clause (iii), by striking “and” at*  
24 *the end;*



1           (ii) in clause (iv), by striking the pe-  
2           riod at the end and inserting “; and”; and  
3           (iii) by adding at the end the fol-  
4           lowing:

5           “(v) to provide for an oil and gas pro-  
6           gram on the Coastal Plain.”.

7           (3) *MANAGEMENT.*—*Except as otherwise pro-*  
8           *vided in this section, the Secretary shall manage the*  
9           *oil and gas program on the Coastal Plain in a man-*  
10          *ner similar to the administration of lease sales under*  
11          *the Naval Petroleum Reserves Production Act of 1976*  
12          *(42 U.S.C. 6501 et seq.) (including regulations).*

13          (4) *ROYALTIES.*—*Notwithstanding the Mineral*  
14          *Leasing Act (30 U.S.C. 181 et seq.), the royalty rate*  
15          *for leases issued pursuant to this section shall be*  
16          *16.67 percent.*

17          (5) *RECEIPTS.*—*Notwithstanding the Mineral*  
18          *Leasing Act (30 U.S.C. 181 et seq.), of the amount of*  
19          *adjusted bonus, rental, and royalty receipts derived*  
20          *from the oil and gas program and operations on Fed-*  
21          *eral land authorized under this section—*

22                 (A) *50 percent shall be paid to the State of*  
23                 *Alaska; and*

24                 (B) *the balance shall be deposited into the*  
25                 *Treasury as miscellaneous receipts.*

1       (c) 2 LEASE SALES WITHIN 10 YEARS.—

2               (1) REQUIREMENT.—

3                       (A) IN GENERAL.—Subject to subparagraph  
4                       (B), the Secretary shall conduct not fewer than  
5                       2 lease sales area-wide under the oil and gas  
6                       program under this section by not later than 10  
7                       years after the date of enactment of this Act.

8                       (B) SALE ACREAGES; SCHEDULE.—

9                               (i) ACREAGES.—The Secretary shall  
10                              offer for lease under the oil and gas pro-  
11                              gram under this section—

12                                       (I) not fewer than 400,000 acres  
13                                       area-wide in each lease sale; and

14                                       (II) those areas that have the  
15                                       highest potential for the discovery of  
16                                       hydrocarbons.

17                               (ii) SCHEDULE.—The Secretary shall  
18                              offer—

19                                       (I) the initial lease sale under the  
20                                       oil and gas program under this section  
21                                       not later than 4 years after the date of  
22                                       enactment of this Act; and

23                                       (II) a second lease sale under the  
24                                       oil and gas program under this section

1                    *not later than 7 years after the date of*  
2                    *enactment of this Act.*

3                    (2) *RIGHTS-OF-WAY.*—*The Secretary shall issue*  
4                    *any rights-of-way or easements across the Coastal*  
5                    *Plain for the exploration, development, production, or*  
6                    *transportation necessary to carry out this section.*

7                    (3) *SURFACE DEVELOPMENT.*—*In administering*  
8                    *this section, the Secretary shall authorize up to 2,000*  
9                    *surface acres of Federal land on the Coastal Plain to*  
10                    *be covered by production and support facilities (in-*  
11                    *cluding airstrips and any area covered by gravel*  
12                    *berms or piers for support of pipelines) during the*  
13                    *term of the leases under the oil and gas program*  
14                    *under this section.*

15 **SEC. 20002. LIMITATIONS ON AMOUNT OF DISTRIBUTED**  
16                    **QUALIFIED OUTER CONTINENTAL SHELF**  
17                    **REVENUES.**

18                    *Section 105(f)(1) of the Gulf of Mexico Energy Secu-*  
19                    *rity Act of 2006 (43 U.S.C. 1331 note; Public Law 109–*  
20                    *432) is amended by striking “exceed \$500,000,000 for each*  
21                    *of fiscal years 2016 through 2055.” and inserting the fol-*  
22                    *lowing: “exceed—*

23                    *“(A) \$500,000,000 for each of fiscal years*  
24                    *2016 through 2019;*

1                   “(B) \$650,000,000 for each of fiscal years  
2                   2020 and 2021; and

3                   “(C) \$500,000,000 for each of fiscal years  
4                   2022 through 2055.”.

5 **SEC. 20003. STRATEGIC PETROLEUM RESERVE DRAWDOWN**  
6                   **AND SALE.**

7                   (a) *DRAWDOWN AND SALE.*—

8                   (1) *IN GENERAL.*—Notwithstanding section 161  
9                   of the Energy Policy and Conservation Act (42 U.S.C.  
10                  6241), except as provided in subsections (b) and (c),  
11                  the Secretary of Energy shall draw down and sell  
12                  from the Strategic Petroleum Reserve 7,000,000 bar-  
13                  rels of crude oil during the period of fiscal years 2026  
14                  through 2027.

15                  (2) *DEPOSIT OF AMOUNTS RECEIVED FROM*  
16                  *SALE.*—Amounts received from a sale under para-  
17                  graph (1) shall be deposited in the general fund of the  
18                  Treasury during the fiscal year in which the sale oc-  
19                  curs.

20                  (b) *EMERGENCY PROTECTION.*—The Secretary of En-  
21                  ergy shall not draw down and sell crude oil under sub-  
22                  section (a) in a quantity that would limit the authority  
23                  to sell petroleum products under subsection (h) of section  
24                  161 of the Energy Policy and Conservation Act (42 U.S.C.  
25                  6241) in the full quantity authorized by that subsection.

1       (c) *LIMITATION.*—*The Secretary of Energy shall not*  
2 *drawdown or conduct sales of crude oil under subsection*  
3 *(a) after the date on which a total of \$600,000,000 has been*  
4 *deposited in the general fund of the Treasury from sales*  
5 *authorized under that subsection.*

Attest:

*Secretary.*

115<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

**H.R. 1**

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**SENATE AMENDMENT**