

118TH CONGRESS
1ST SESSION

H. R. 3937

To amend the Internal Revenue Code of 1986 to promote the establishment
and growth of small businesses.

IN THE HOUSE OF REPRESENTATIVES

JUNE 9, 2023

Mr. SMITH of Missouri introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to promote
the establishment and growth of small businesses.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Small Business Jobs Act”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 (c) TABLE OF CONTENTS.—The table of contents for
 4 this Act is as follows:

- Sec. 1. Short title; table of contents, etc.
- Sec. 2. Increase in threshold for requiring information reporting with respect to certain payees.
- Sec. 3. Restoration of reporting rule for third party network transactions.
- Sec. 4. Modifications to exclusion for gain from qualified small business stock.
- Sec. 5. Increase in limitations on expensing of depreciable business assets.
- Sec. 6. Establishment of special rules for capital gains invested in rural opportunity zones.
- Sec. 7. Reporting on qualified opportunity funds and qualified rural opportunity funds.

5 **SEC. 2. INCREASE IN THRESHOLD FOR REQUIRING INFOR-**
 6 **MATION REPORTING WITH RESPECT TO CER-**
 7 **TAIN PAYEES.**

8 (a) IN GENERAL.—Sections 6041(a) is amended by
 9 striking “\$600” and inserting “\$5,000”.

10 (b) INFLATION ADJUSTMENT.—Section 6041 is
 11 amended by adding at the end the following new sub-
 12 section:

13 “(h) INFLATION ADJUSTMENT.—In the case of any
 14 calendar year after 2024, the dollar amount in subsection
 15 (a) shall be increased by an amount equal to—

16 “(1) such dollar amount, multiplied by

17 “(2) the cost-of-living adjustment determined
 18 under section 1(f)(3) for such calendar year, deter-
 19 mined by substituting ‘calendar year 2023’ for ‘cal-
 20 endar year 2016’ in subparagraph (A)(ii) thereof.

1 If any increase under the preceding sentence is not a mul-
2 tiple of \$100, such increase shall be rounded to the nearest
3 multiple of \$100.”.

4 (c) APPLICATION TO REPORTING ON REMUNERATION
5 FOR SERVICES AND DIRECT SALES.—Section 6041A is
6 amended—

7 (1) in subsection (a)(2), by striking “is \$600 or
8 more” and inserting “equals or exceeds the dollar
9 amount in effect for such calendar year under sec-
10 tion 6041(a)”, and

11 (2) in subsection (b)(1)(B), by striking “is
12 \$5,000 or more” and inserting “equals or exceeds
13 the dollar amount in effect for such calendar year
14 under section 6041(a)”.

15 (d) APPLICATION TO BACKUP WITHHOLDING.—Sec-
16 tion 3406(b)(6) is amended—

17 (1) by striking “\$600” in subparagraph (A)
18 and inserting “the dollar amount in effect for such
19 calendar year under section 6041(a)”, and

20 (2) by striking “ONLY WHERE AGGREGATE FOR
21 CALENDAR YEAR IS \$600 OR MORE” in the heading
22 and inserting “ONLY IF IN EXCESS OF THRESHOLD”.

23 (e) CONFORMING AMENDMENTS.—

1 (1) The heading of section 6041(a) is amended
 2 by striking “OF \$600 OR MORE” and inserting “EX-
 3 CEEDING THRESHOLD”.

4 (2) Section 6041(a) is amended by striking
 5 “taxable year” and inserting “calendar year”.

6 (f) EFFECTIVE DATE.—The amendments made by
 7 this section shall apply with respect to payments made
 8 after December 31, 2023.

9 **SEC. 3. RESTORATION OF REPORTING RULE FOR THIRD**
 10 **PARTY NETWORK TRANSACTIONS.**

11 (a) DE MINIMIS EXCEPTION FOR THIRD PARTY SET-
 12 TLEMENT ORGANIZATIONS.—Section 6050W(e) is amend-
 13 ed to read as follows:

14 “(e) EXCEPTION FOR DE MINIMIS PAYMENTS BY
 15 THIRD PARTY SETTLEMENT ORGANIZATIONS.—A third
 16 party settlement organization shall be required to report
 17 any information under subsection (a) with respect to third
 18 party network transactions of any participating payee only
 19 if—

20 “(1) the amount which would otherwise be re-
 21 ported under subsection (a)(2) with respect to such
 22 transactions exceeds \$20,000, and

23 “(2) the aggregate number of such transactions
 24 exceeds 200.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to returns for calendar years beginning after December 31, 2021.

SEC. 4. MODIFICATIONS TO EXCLUSION FOR GAIN FROM QUALIFIED SMALL BUSINESS STOCK.

(a) PHASED INCREASE IN EXCLUSION FOR GAIN FROM QUALIFIED SMALL BUSINESS STOCK.—

(1) IN GENERAL.—Section 1202(a)(1) is amended—

(A) by striking “50 percent” and inserting “the applicable percentage”, and

(B) by striking “held for more than 5 years” and inserting “held for at least 3 years”.

(2) APPLICABLE PERCENTAGE.—Section 1202(a) is amended by adding at the end the following new paragraph:

“(5) APPLICABLE PERCENTAGE.—Except as provided in paragraphs (3) and (4), the applicable percentage under paragraph (1) shall be determined under the following table:

“Years stock held:	Applicable percentage:
3 years	50%
4 years	75%
5 years or more	100%”.

(3) CONTINUED TREATMENT AS NOT ITEM OF TAX PREFERENCE.—

1 (A) IN GENERAL.—Section 57(a)(7) is
 2 amended by striking “An amount” and insert-
 3 ing “In the case of stock acquired on or before
 4 the date of the enactment of the Creating Small
 5 Business Jobs Act of 2010, an amount”.

6 (B) CONFORMING AMENDMENT.—Section
 7 1202(a)(4) is amended—

8 (i) by striking “, and” at the end of
 9 subparagraph (B) and inserting a period,
 10 and

11 (ii) by striking subparagraph (C).

12 (4) OTHER CONFORMING AMENDMENTS.—

13 (A) Section 1202(a)(4) is amended by in-
 14 serting “and before the date of the enactment
 15 of the Small Business Jobs Act” after “Act of
 16 2010”.

17 (B) Paragraphs (3) and (4) of section
 18 1202(a) are each amended by inserting “held
 19 for more than 5 years and” after “In the case
 20 of qualified small business stock”.

21 (C) Section 1202(a)(3)(A) of such Code is
 22 amended to read as follows:

23 “(A) the applicable percentage under para-
 24 graph (1) shall be 75 percent, and”,

1 (D) Section 1202(a)(4)(A) is amended to
 2 read as follows:

3 “(A) the applicable percentage under para-
 4 graph (1) shall be 100 percent, and”.

5 (E) Section 1202(b)(2) is amended by
 6 striking “more than 5 years” and inserting “at
 7 least 3 years”.

8 (F) Section 1202(g)(2)(A) is amended by
 9 striking “more than 5 years” and inserting “at
 10 least 3 years”.

11 (G) Section 1202(j)(1)(A) is amended by
 12 striking “more than 5 years” and inserting “at
 13 least 3 years”.

14 (b) TACKING HOLDING PERIOD OF CONVERTIBLE
 15 DEBT INSTRUMENTS.—

16 (1) IN GENERAL.—Section 1202(f) is amend-
 17 ed—

18 (A) by redesignating paragraphs (1) and
 19 (2) as subparagraphs (A) and (B) and moving
 20 such subparagraphs (as so redesignated) 2 ems
 21 to the right,

22 (B) by striking “CONVERSION OF OTHER
 23 STOCK.—If any stock” and inserting the fol-
 24 lowing: “CONVERSION.—

25 “(1) OTHER STOCK.—If any stock”, and

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

3 “(2) CONVERTIBLE DEBT INSTRUMENTS.—

4 “(A) IN GENERAL.—If any stock in a cor-
5 poration is acquired by the taxpayer, without
6 recognition of gain, solely through the conver-
7 sion of a qualified convertible debt instru-
8 ment—

9 “(i) the stock so acquired shall be
10 treated as qualified small business stock in
11 the hands of the taxpayer, and

12 “(ii) the stock so acquired shall be
13 treated as having been held during the pe-
14 riod during which the qualified convertible
15 debt instrument was held.

16 “(B) QUALIFIED CONVERTIBLE DEBT IN-
17 STRUMENT.—For purposes of this paragraph,
18 the term ‘qualified convertible debt instrument’
19 means any bond or other evidence of indebted-
20 ness—

21 “(i) which is originally issued by the
22 corporation to the taxpayer,

23 “(ii) the issuer of which—

24 “(I) from issuance until conver-
25 sion, is a qualified small business, and

1 “(II) during substantially all of
 2 the taxpayer’s holding period of such
 3 bond or evidence of indebtedness, the
 4 corporation meets the active business
 5 requirements of subsection (e), and
 6 “(iii) which is convertible into stock in
 7 the corporation.”.

8 (c) GAIN EXCLUSION ALLOWED WITH RESPECT TO
 9 QUALIFIED SMALL BUSINESS STOCK IN CORPORATION.—

10 (1) IN GENERAL.—Section 1202(c) is amend-
 11 ed—

12 (A) by striking “C corporation” in para-
 13 graphs (1) and inserting “corporation”, and

14 (B) by striking “and such corporation is a
 15 C corporation” in paragraph (2)(A).

16 (2) QUALIFIED SMALL BUSINESS DEFINI-
 17 TION.—Section 1202(d)(1) is amended by striking
 18 “which is a C corporation”.

19 (3) CLARIFICATION OF AGGREGATION RULES
 20 APPLICABLE TO S CORPORATIONS.—Section
 21 1202(d)(3) is amended by adding at the end the fol-
 22 lowing new subparagraph:

23 “(C) CLARIFICATION WITH RESPECT TO S
 24 CORPORATIONS.—Any determination of the
 25 members of a controlled group of corporations

1 under this paragraph shall include taking into
 2 account any stock ownership in an S corpora-
 3 tion.”.

4 (4) TREATMENT OF PASSIVE LOSSES.—Section
 5 469(g)(1) is amended by adding at the end the fol-
 6 lowing new subparagraph:

7 “(D) CERTAIN DISPOSITIONS OF SMALL
 8 BUSINESS STOCK.—In the case a disposition
 9 any gain from which is excluded from gross in-
 10 come under section 1202, subparagraph (A)
 11 shall not apply.”.

12 (5) SPECIAL RULES RELATING TO S CORPORA-
 13 TIONS.—Section 1202(e) is amended by adding at
 14 the end the following new paragraph:

15 “(9) APPLIED AT S CORPORATION LEVEL.—In
 16 the case of an S corporation, the requirements of
 17 this subsection shall be applied at the corporate
 18 level.”.

19 (d) EFFECTIVE DATES.—

20 (1) IN GENERAL.—Except as otherwise pro-
 21 vided in this subsection, the amendments made by
 22 this section shall apply to stock acquired after the
 23 date of the enactment of this Act.

24 (2) CONTINUED TREATMENT AS NOT ITEM OF
 25 TAX PREFERENCE.—The amendments made by sub-

1 section (a)(3) shall take effect as if included in the
2 enactment of section 2011 the Creating Small Busi-
3 ness Jobs Act of 2010.

4 (3) TACKING HOLDING PERIOD OF CONVERT-
5 IBLE DEBT INSTRUMENTS.—The amendments made
6 by subsection (b) shall apply to debt instruments
7 originally issued after the date of the enactment of
8 this Act.

9 **SEC. 5. INCREASE IN LIMITATIONS ON EXPENSING OF DE-**
10 **PRECIABLE BUSINESS ASSETS.**

11 (a) IN GENERAL.—Section 179(b) is amended—

12 (1) by striking “\$1,000,000” in paragraph (1)
13 and inserting “\$2,500,000”, and

14 (2) by striking “\$2,500,000” in paragraph (2)
15 and inserting “\$4,000,000”.

16 (b) INFLATION ADJUSTMENT.—Section 179(b)(6) is
17 amended—

18 (1) by striking “2018” and inserting “2024
19 (2018 in the case of the dollar amount in paragraph
20 (5)(A))”, and

21 (2) by striking “calendar year 2017” and in-
22 serting “‘calendar year 2024’ (‘calendar year 2017’
23 in the case of the dollar amount in paragraph
24 (5)(A))”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to property placed in service in
 3 taxable years beginning after December 31, 2023.

4 **SEC. 6. ESTABLISHMENT OF SPECIAL RULES FOR CAPITAL**
 5 **GAINS INVESTED IN RURAL OPPORTUNITY**
 6 **ZONES.**

7 (a) IN GENERAL.—Subchapter Z of chapter 1 is
 8 amended by adding at the end the following new section:

9 **“SEC. 1400Z-3. SPECIAL RULES FOR CAPITAL GAINS IN-**
 10 **VESTED IN RURAL OPPORTUNITY ZONES.**

11 **“(a) IN GENERAL.—**

12 **“(1) TREATMENT OF GAINS.—**In the case of
 13 capital gain from the sale to, or exchange with, an
 14 unrelated person of any property held by the tax-
 15 payer, at the election of the taxpayer—

16 **“(A)** gross income for the taxable year
 17 shall not include so much of such gain as does
 18 not exceed the aggregate amount invested by
 19 the taxpayer in a qualified rural opportunity
 20 fund during the 180-day period beginning on
 21 the date of such sale or exchange,

22 **“(B)** the amount of gain excluded by sub-
 23 paragraph (A) shall be included in gross income
 24 as provided by subsection (b), and

25 **“(C)** subsection (c) shall apply.

1 “(2) ELECTION.—No election may be made
2 under paragraph (1)—

3 “(A) with respect to a sale or exchange if
4 an election previously made with respect to such
5 sale or exchange is in effect, or

6 “(B) with respect to any sale or exchange
7 after December 31, 2032.

8 “(b) DEFERRAL OF GAIN INVESTED IN QUALIFIED
9 RURAL OPPORTUNITY ZONE PROPERTY.—

10 “(1) YEAR OF INCLUSION.—Gain to which sub-
11 section (a)(1)(B) applies shall be included in income
12 in the taxable year which includes the earlier of—

13 “(A) the date on which such investment is
14 sold or exchanged, or

15 “(B) December 31, 2032.

16 “(2) AMOUNT INCLUDIBLE.—

17 “(A) IN GENERAL.—The amount of gain
18 included in gross income under subsection
19 (a)(1)(A) shall be the excess of—

20 “(i) the lesser of the amount of gain
21 excluded under paragraph (1) or the fair
22 market value of the investment as deter-
23 mined as of the date described in para-
24 graph (1), over

1 “(ii) the taxpayer’s basis in the in-
2 vestment.

3 “(B) DETERMINATION OF BASIS QUALI-
4 FIED RURAL OPPORTUNITY ZONE PROPERTY.—

5 “(i) IN GENERAL.—Except as other-
6 wise provided in this clause or subsection
7 (c), the taxpayer’s basis in the investment
8 shall be zero.

9 “(ii) INCREASE FOR GAIN RECOG-
10 NIZED UNDER SUBSECTION (A)(1)(B).—The
11 basis in the investment shall be increased
12 by the amount of gain recognized by rea-
13 son of subsection (a)(1)(B) with respect to
14 such property.

15 “(iii) INVESTMENTS HELD FOR 5
16 YEARS.—In the case of any investment
17 held for at least 5 years, the basis of such
18 investment shall be increased by an
19 amount equal to 10 percent of the amount
20 of gain deferred by reason of subsection
21 (a)(1)(A).

22 “(iv) INVESTMENTS HELD FOR 7
23 YEARS.—In the case of any investment
24 held by the taxpayer for at least 7 years,
25 in addition to any adjustment made under

1 clause (iii), the basis of such property shall
2 be increased by an amount equal to 5 per-
3 cent of the amount of gain deferred by rea-
4 son of subsection (a)(1)(A).

5 “(c) SPECIAL RULE FOR INVESTMENTS HELD FOR
6 AT LEAST 10 YEARS.—In the case of any investment held
7 by the taxpayer for at least 10 years and with respect to
8 which the taxpayer makes an election under this sub-
9 section, the basis of such property shall be equal to the
10 fair market value of such investment on the date that the
11 investment is sold or exchanged.

12 “(d) QUALIFIED RURAL OPPORTUNITY FUND.—For
13 purposes of this section—

14 “(1) IN GENERAL.—The term ‘qualified rural
15 opportunity fund’ means any investment vehicle
16 which is organized as a corporation or a partnership
17 for the purpose of investing in qualified rural oppor-
18 tunity zone property (other than another qualified
19 rural opportunity fund) that holds at least 90 per-
20 cent of its assets in qualified rural opportunity zone
21 property, determined by the average of the percent-
22 age of qualified rural opportunity zone property held
23 in the fund as measured—

24 “(A) on the last day of the first 6-month
25 period 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 RURAL OPPORTUNITY ZONE
4 PROPERTY.—

5 “(A) IN GENERAL.—The term ‘qualified
6 rural opportunity zone property’ means prop-
7 erty which is—

8 “(i) qualified rural opportunity zone
9 stock,

10 “(ii) qualified rural opportunity zone
11 partnership interest, or

12 “(iii) qualified rural opportunity zone
13 business property.

14 “(B) QUALIFIED RURAL OPPORTUNITY
15 ZONE STOCK.—

16 “(i) IN GENERAL.—Except as pro-
17 vided in clause (ii), the term ‘qualified
18 rural opportunity zone stock’ means any
19 stock in a domestic corporation if—

20 “(I) such stock is acquired by the
21 qualified rural opportunity fund after
22 December 31, 2023, at its original
23 issue (directly or through an under-
24 writer) from the corporation solely in
25 exchange for cash,

1 “(II) as of the time such stock
2 was issued, such corporation was a
3 qualified rural opportunity zone busi-
4 ness (or, in the case of a new corpora-
5 tion, such corporation was being orga-
6 nized for purposes of being a qualified
7 rural opportunity zone business), and

8 “(III) during substantially all of
9 the qualified rural opportunity fund’s
10 holding period for such stock, such
11 corporation qualified as a qualified
12 rural opportunity zone business.

13 “(ii) REDEMPTIONS.—A rule similar
14 to the rule of section 1202(c)(3) shall
15 apply for purposes of this paragraph.

16 “(C) QUALIFIED RURAL OPPORTUNITY
17 ZONE PARTNERSHIP INTEREST.—The term
18 ‘qualified rural opportunity zone partnership in-
19 terest’ means any capital or profits interest in
20 a domestic partnership if—

21 “(i) such interest is acquired by the
22 qualified rural opportunity fund after De-
23 cember 31, 2023, from the partnership
24 solely in exchange for cash,

1 “(ii) as of the time such interest was
2 acquired, such partnership was a qualified
3 rural opportunity zone business (or, in the
4 case of a new partnership, such partner-
5 ship was being organized for purposes of
6 being a qualified rural opportunity zone
7 business), and

8 “(iii) during substantially all of the
9 qualified rural opportunity fund’s holding
10 period for such interest, such partnership
11 qualified as a qualified rural opportunity
12 zone business.

13 “(D) QUALIFIED RURAL OPPORTUNITY
14 ZONE BUSINESS PROPERTY.—

15 “(i) IN GENERAL.—The term ‘quali-
16 fied rural opportunity zone business prop-
17 erty’ means tangible property used in a
18 trade or business of the qualified rural op-
19 portunity fund if—

20 “(I) such property was acquired
21 by the qualified rural opportunity
22 fund by purchase (as defined in sec-
23 tion 179(d)(2)) after December 31,
24 2023,

1 “(II) the original use of such
2 property in the qualified rural oppor-
3 tunity zone commences with the quali-
4 fied rural opportunity fund or the
5 qualified rural opportunity fund sub-
6 stantially improves the property, and

7 “(III) during substantially all of
8 the qualified rural opportunity fund’s
9 holding period for such property, sub-
10 stantially all of the use of such prop-
11 erty was in a qualified rural oppor-
12 tunity zone.

13 “(ii) SUBSTANTIAL IMPROVEMENT.—
14 For purposes of subparagraph (A)(ii),
15 property shall be treated as substantially
16 improved by the qualified rural opportunity
17 fund only if, during any 30-month period
18 beginning after the date of acquisition of
19 such property, additions to basis with re-
20 spect to such property in the hands of the
21 qualified rural opportunity fund exceed an
22 amount equal to the adjusted basis of such
23 property at the beginning of such 30-
24 month period in the hands of the qualified
25 rural opportunity fund.

1 “(iii) RELATED PARTY.—For pur-
2 poses of subparagraph (A)(i), the related
3 person rule of section 179(d)(2) shall be
4 applied pursuant to subsection (e)(2) in
5 lieu of the application of such rule in sec-
6 tion 179(d)(2)(A).

7 “(3) QUALIFIED RURAL OPPORTUNITY ZONE
8 BUSINESS.—

9 “(A) IN GENERAL.—The term ‘qualified
10 rural opportunity zone business’ means a trade
11 or business—

12 “(i) in which substantially all of the
13 tangible property owned or leased by the
14 taxpayer is qualified rural opportunity zone
15 business property (determined by sub-
16 stituting ‘qualified rural opportunity zone
17 business’ for ‘qualified rural opportunity
18 fund’ each place it appears in paragraph
19 (2)(D)),

20 “(ii) which satisfies the requirements
21 of paragraphs (2), (4), and (8) of section
22 1397C(b), and

23 “(iii) which is not described in section
24 144(c)(6)(B).

“(B) SPECIAL RULE.—For purposes of subparagraph (A), tangible property that ceases to be a qualified rural opportunity zone business property shall continue to be treated as a qualified rural opportunity zone business property for the lesser of—

“(i) 5 years after the date on which such tangible property ceases to be so qualified, or

“(ii) the date on which such tangible property is no longer held by the qualified rural opportunity zone business.

“(4) QUALIFIED RURAL OPPORTUNITY ZONE.—

“(A) IN GENERAL.—The term ‘qualified rural opportunity zone’ means any population census tract which—

“(i) is located in a rural county, and

“(ii) is in persistent poverty (as determined by the Bureau of the Census using the same methodology and data as used for purposes of the May 2023 report of such Bureau entitled ‘Persistent Poverty in Counties and Census Tracts’).

“(B) RURAL COUNTY.—The term ‘rural county’ means any county if more than 50 per-

cent of the census blocks which comprise such county are rural blocks (as determined by the Bureau of the Census as of the date of the enactment of this Act). A rule similar to section 143(k)(2)(D) shall apply for purposes of the preceding sentence.

“(e) APPLICABLE RULES.—

“(1) TREATMENT OF INVESTMENTS WITH MIXED FUNDS.—In the case of any investment in a qualified rural opportunity fund only a portion of which consists of investments of gain to which an election under subsection (a) is in effect—

“(A) such investment shall be treated as 2 separate investments, consisting of—

“(i) one investment that only includes amounts to which the election under subsection (a) applies, and

“(ii) a separate investment consisting of other amounts, and

“(B) subsections (a), (b), and (c) shall only apply to the investment described in subparagraph (A)(i).

“(2) RELATED PERSONS.—For purposes of this section, persons are related to each other if such persons are described in section 267(b) or 707(b)(1),

1 determined by substituting ‘20 percent’ for ‘50 per-
 2 cent’ 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
 7 section 691.

8 “(4) REGULATIONS.—The Secretary shall pre-
 9 scribe such regulations as may be necessary or ap-
 10 propriate to carry out the purposes of this section,
 11 including—

12 “(A) rules for the certification of qualified
 13 rural opportunity funds for the purposes of this
 14 section,

15 “(B) rules to ensure a qualified rural op-
 16 portunity fund has a reasonable period of time
 17 to reinvest the return of capital from invest-
 18 ments in qualified rural opportunity zone stock
 19 and qualified rural opportunity zone partner-
 20 ship interests, and to reinvest proceeds received
 21 from the sale or disposition of qualified rural
 22 opportunity zone property, and

23 “(C) rules to prevent abuse.

24 “(f) FAILURE OF QUALIFIED RURAL OPPORTUNITY
 25 FUND TO MAINTAIN INVESTMENT STANDARD.—

1 “(1) IN GENERAL.—If a qualified rural oppor-
2 tunity fund fails to meet the 90-percent requirement
3 of subsection (d)(1), the qualified rural opportunity
4 fund shall pay a penalty for each month it fails to
5 meet the requirement in an amount equal to the
6 product of—

7 “(A) the excess of—

8 “(i) the amount equal to 90 percent of
9 its aggregate assets, over

10 “(ii) the aggregate amount of quali-
11 fied rural opportunity zone property held
12 by the fund, multiplied by

13 “(B) the underpayment rate established
14 under section 6621(a)(2) for such month.

15 “(2) SPECIAL RULE FOR PARTNERSHIPS.—In
16 the case that the qualified rural opportunity fund is
17 a partnership, the penalty imposed by paragraph (1)
18 shall be taken into account proportionately as part
19 of the distributive share of each partner of the part-
20 nership.

21 “(3) REASONABLE CAUSE EXCEPTION.—No
22 penalty shall be imposed under this subsection with
23 respect to any failure if it is shown that such failure
24 is due to reasonable cause.”.

1 (b) CLERICAL AMENDMENT.—The table of sections
 2 for subchapter Z of chapter 1 is amended by adding at
 3 the end the following new item:

“Sec. 1400Z–3. Special rules for capital gains invested in rural opportunity
 zones.”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to amounts invested after the date
 6 of the enactment of this section.

7 **SEC. 7. REPORTING ON QUALIFIED OPPORTUNITY FUNDS**
 8 **AND QUALIFIED RURAL OPPORTUNITY**
 9 **FUNDS.**

10 (a) IN GENERAL.—

11 (1) FILING REQUIREMENTS FOR FUNDS AND
 12 INVESTORS.—Subpart A of part III of subchapter A
 13 of chapter 61 is amended by inserting after section
 14 6039J the following new sections:

15 **“SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OP-**
 16 **PORTUNITY FUNDS AND QUALIFIED RURAL**
 17 **OPPORTUNITY FUNDS.**

18 “(a) IN GENERAL.—Every qualified opportunity fund
 19 shall file an annual return (at such time and in such man-
 20 ner as the Secretary may prescribe) containing the infor-
 21 mation described in subsection (b).

22 “(b) INFORMATION FROM QUALIFIED OPPORTUNITY
 23 FUNDS.—The information described in this subsection
 24 is—

1 “(1) the name, address, and taxpayer identifica-
2 tion number of the qualified opportunity fund,

3 “(2) whether the qualified opportunity fund is
4 organized as a corporation or a partnership,

5 “(3) the value of the total assets held by the
6 qualified opportunity fund as of each date described
7 in section 1400Z–2(d)(1),

8 “(4) the value of all qualified opportunity zone
9 property held by the qualified opportunity fund on
10 each such date,

11 “(5) with respect to each investment held by
12 the qualified opportunity fund in qualified oppor-
13 tunity zone stock or a qualified opportunity zone
14 partnership interest—

15 “(A) the name, address, and taxpayer
16 identification number of the corporation in
17 which such stock is held or the partnership in
18 which such interest is held, as the case may be,

19 “(B) each North American Industry Clas-
20 sification System (NAICS) code that applies to
21 the trades or businesses conducted by such cor-
22 poration or partnership,

23 “(C) the population census tracts in which
24 the qualified opportunity zone business property
25 of such corporation or partnership is located,

1 “(D) the amount of the investment in such
2 stock or partnership interest as of each date de-
3 scribed in section 1400Z–2(d)(1),

4 “(E) the value of tangible property held by
5 such corporation or partnership on each such
6 date which is owned by such corporation or
7 partnership,

8 “(F) the value of tangible property held by
9 such corporation or partnership on each such
10 date which is leased by such corporation or
11 partnership,

12 “(G) the approximate number of residen-
13 tial units (if any) for any real property held by
14 such corporation or partnership, and

15 “(H) the approximate average monthly
16 number of full-time equivalent employees of
17 such corporation or partnership for the year
18 (within numerical ranges identified by the Sec-
19 retary) or such other indication of the employ-
20 ment impact of such corporation or partnership
21 as determined appropriate by the Secretary,

22 “(6) with respect to the items of qualified op-
23 portunity zone business property held by the quali-
24 fied opportunity fund—

1 “(A) the North American Industry Classi-
2 fication System (NAICS) code that applies to
3 the trades or businesses in which such property
4 is held,

5 “(B) the population census tract in which
6 the property is located,

7 “(C) whether the property is owned or
8 leased,

9 “(D) the aggregate value of the items of
10 qualified opportunity zone property held by the
11 qualified opportunity fund as of each date de-
12 scribed in section 1400Z–2(d)(1), and

13 “(E) in the case of real property, number
14 of residential units (if any),

15 “(7) the approximate average monthly number
16 of full-time equivalent employees for the year of the
17 trades or businesses of the qualified opportunity
18 fund in which qualified opportunity zone business
19 property is held (within numerical ranges identified
20 by the Secretary) or such other indication of the em-
21 ployment impact of such trades or businesses as de-
22 termined appropriate by the Secretary,

23 “(8) with respect to each person who disposed
24 of an investment in the qualified opportunity fund
25 during the year—

1 “(A) the name and taxpayer identification
2 number of such person,

3 “(B) the date or dates on which the invest-
4 ment disposed was acquired, and

5 “(C) the date or dates on which any such
6 investment was disposed and the amount of the
7 investment disposed, and

8 “(9) such other information as the Secretary
9 may require.

10 “(c) STATEMENT REQUIRED TO BE FURNISHED TO
11 INVESTORS.—Every person required to make a return
12 under subsection (a) shall furnish to each person whose
13 name is required to be set forth in such return by reason
14 of subsection (b)(8) a written statement showing—

15 “(1) the name, address and phone number of
16 the information contact of the person required to
17 make such return, and

18 “(2) the information required to be shown on
19 such return by reason of subsection (b)(8) with re-
20 spect to the person whose name is required to be so
21 set forth.

22 “(d) DEFINITIONS.—For purposes of this section—

23 “(1) IN GENERAL.—Any term used in this sec-
24 tion which is also used in subchapter Z of chapter

1 1 shall have the meaning given such term under
2 such subchapter.

3 “(2) FULL-TIME EQUIVALENT EMPLOYEES.—

4 The term ‘full-time equivalent employees’ means,
5 with respect to any month, the sum of—

6 “(A) the number of full-time employees (as
7 defined in section 4980H(c)(4)) for the month,
8 plus

9 “(B) the number of employees determined
10 (under rules similar to the rules of section
11 4980H(c)(2)(E)) by dividing the aggregate
12 number of hours of service of employees who
13 are not full-time employees for the month by
14 120.

15 “(e) APPLICATION TO QUALIFIED RURAL OPPOR-
16 TUNITY FUNDS.—Every qualified rural opportunity fund
17 shall file the annual return required under subsection (a),
18 and the statements required under subsection (c), ap-
19 plied—

20 “(1) by substituting ‘qualified rural oppor-
21 tunity’ for ‘qualified opportunity’ each place it ap-
22 pears, and

23 “(2) by substituting ‘section 1400Z–3(d)(1)’ for
24 ‘section 1400Z–2(d)(1)’ each place it appears.

1 **“SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED**
 2 **OPPORTUNITY ZONE BUSINESSES AND**
 3 **QUALIFIED RURAL OPPORTUNITY ZONE**
 4 **BUSINESSES.**

5 “(a) IN GENERAL.—Every applicable qualified oppor-
 6 tunity zone business shall furnish to the qualified oppor-
 7 tunity fund described in subsection (b) a written state-
 8 ment in such manner and setting forth such information
 9 as the Secretary may by regulations prescribe for purposes
 10 of enabling such qualified opportunity fund to meet the
 11 requirements of section 6039K(b)(5).

12 “(b) APPLICABLE QUALIFIED OPPORTUNITY ZONE
 13 BUSINESS.—For purposes of subsection (a), the term ‘ap-
 14 plicable qualified opportunity zone business’ means any
 15 qualified opportunity zone business—

16 “(1) which is a trade or business of a qualified
 17 opportunity fund,

18 “(2) in which a qualified opportunity fund holds
 19 qualified opportunity zone stock, or

20 “(3) in which a qualified opportunity fund holds
 21 a qualified opportunity zone partnership interest.

22 “(c) OTHER TERMS.—Any term used in this section
 23 which is also used in subchapter Z of chapter 1 shall have
 24 the meaning given such term under such subchapter.

25 “(d) APPLICATION TO QUALIFIED RURAL OPPOR-
 26 TUNITY FUNDS.—Every qualified rural opportunity zone

1 business (as defined in subsection (b) determined after ap-
 2 plication of the substitutions described in this sentence)
 3 shall furnish the written statement required under sub-
 4 section (a), applied by substituting ‘qualified rural oppor-
 5 tunity’ for ‘qualified opportunity’ each place it appears.”.

6 (2) PENALTIES.—

7 (A) IN GENERAL.—Part II of subchapter
 8 B of chapter 68 is amended by inserting after
 9 section 6725 the following new section:

10 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**
 11 **PORTING REQUIREMENTS RELATING TO**
 12 **QUALIFIED OPPORTUNITY FUNDS AND**
 13 **QUALIFIED RURAL OPPORTUNITY FUNDS.**

14 “(a) IN GENERAL.—In the case of any person re-
 15 quired to file a return under section 6039K fails to file
 16 a complete and correct return under such section in the
 17 time and in the manner prescribed therefor, such person
 18 shall pay a penalty of \$500 for each day during which
 19 such failure continues.

20 “(b) LIMITATION.—

21 “(1) IN GENERAL.—The maximum penalty
 22 under this section on failures with respect to any 1
 23 return shall not exceed \$10,000.

24 “(2) LARGE QUALIFIED OPPORTUNITY
 25 FUNDS.—In the case of any failure described in sub-

1 section (a) with respect to a fund the gross assets
2 of which (determined on the last day of the taxable
3 year) are in excess of \$10,000,000, paragraph (1)
4 shall be applied by substituting ‘\$50,000’ for
5 ‘\$10,000’.

6 “(c) PENALTY IN CASES OF INTENTIONAL DIS-
7 REGARD.—If a failure described in subsection (a) is due
8 to intentional disregard, then—

9 “(1) subsection (a) shall be applied by sub-
10 stituting ‘\$2,500’ for ‘\$500’,

11 “(2) subsection (b)(1) shall be applied by sub-
12 stituting ‘\$50,000’ for ‘\$10,000’, and

13 “(3) subsection (b)(2) shall be applied by sub-
14 stituting ‘\$250,000’ for ‘\$50,000’.

15 “(d) INFLATION ADJUSTMENT.—

16 “(1) IN GENERAL.—In the case of any failure
17 relating to a return required to be filed in a calendar
18 year beginning after 2023, each of the dollar
19 amounts in subsections (a), (b), and (c) shall be in-
20 creased by an amount equal to such dollar amount
21 multiplied by the cost-of-living adjustment deter-
22 mined under section 1(f)(3) for the calendar year
23 determined by substituting ‘calendar year 2022’ for
24 ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

25 “(2) ROUNDING.—

1 “(A) IN GENERAL.—If the \$500 dollar
2 amount in subsection (a) and (c)(1) or the
3 \$2,500 amount in subsection (c)(1), after being
4 increased under paragraph (1), is not a mul-
5 tiple of \$10, such dollar amount shall be round-
6 ed to the next lowest multiple of \$10.

7 “(B) ASSET THRESHOLD.—If the
8 \$10,000,000 dollar amount in subsection (b)(2),
9 after being increased under paragraph (1), is
10 not a multiple of \$10,000, such dollar amount
11 shall be rounded to the next lowest multiple of
12 \$10,000.

13 “(C) OTHER DOLLAR AMOUNTS.—If any
14 dollar amount in subsection (b) or (c) (other
15 than any amount to which subparagraph (A) or
16 (B) applies), after being increased under para-
17 graph (1), is not a multiple of \$1,000, such dol-
18 lar amount shall be rounded to the next lowest
19 multiple of \$1,000.”.

20 (B) INFORMATION REQUIRED TO BE SENT
21 TO OTHER TAXPAYERS.—Section 6724(d)(2) is
22 amended—

23 (i) by striking “or” at the end of sub-
24 paragraph (II),

1 (ii) by striking the period at the end
 2 of the first subparagraph (JJ) (relating to
 3 section 6226) and inserting a comma,

4 (iii) by redesignating the second sub-
 5 paragraph (JJ) (relating to section 6050Y)
 6 as subparagraph (KK),

7 (iv) by striking the period at the end
 8 of subparagraph (KK) (as redesignated by
 9 clause (iii)) and inserting a comma, and

10 (v) by inserting after subparagraph
 11 (KK) (as so redesignated) the following
 12 new subparagraphs:

13 “(LL) section 6039K(c) (relating to dis-
 14 position of qualified opportunity fund invest-
 15 ments), or

16 “(MM) section 6039L (relating to informa-
 17 tion required from certain qualified opportunity
 18 zone businesses and qualified rural opportunity
 19 zone businesses).”.

20 (3) ELECTRONIC FILING.—Section 6011(e) is
 21 amended by adding at the end the following new
 22 paragraph:

23 “(8) QUALIFIED OPPORTUNITY FUNDS AND
 24 QUALIFIED RURAL OPPORTUNITY FUNDS.—Notwith-
 25 standing paragraphs (1) and (2), any return filed by

1 a qualified opportunity fund or qualified rural oppor-
 2 tunity fund shall be filed on magnetic media or other
 3 machine-readable form.”.

4 (4) CLERICAL AMENDMENTS.—

5 (A) The table of sections for subpart A of
 6 part III of subchapter A of chapter 61 is
 7 amended by inserting after the item relating to
 8 section 6039J the following new items:

“Sec. 6039K. Returns with respect to qualified opportunity funds and qualified rural opportunity funds.

“Sec. 6039L. Information required from certain qualified opportunity zone businesses and qualified rural opportunity zone businesses.”.

9 (B) The table of sections for part II of
 10 subchapter B of chapter 68 is amended by in-
 11 serting after the item relating to section 6725
 12 the following new item:

“Sec. 6726. Failure to comply with information reporting requirements relating to qualified opportunity funds and qualified rural opportunity zone businesses.”.

13 (5) EFFECTIVE DATE.—The amendments made
 14 by this subsection shall apply to taxable years begin-
 15 ning after the date of the enactment of this Act.

16 (b) REPORTING OF DATA ON OPPORTUNITY ZONE
 17 AND RURAL OPPORTUNITY ZONE TAX INCENTIVES.—

18 (1) IN GENERAL.—As soon as practical after
 19 the date of the enactment of this Act, and annually
 20 thereafter, the Secretary of the Treasury, or the
 21 Secretary’s delegate (referred to in this section as

1 the “Secretary”), in consultation with the Director
2 of the Bureau of the Census and such other agencies
3 as the Secretary determines appropriate, shall make
4 publicly available a report on qualified opportunity
5 funds.

6 (2) INFORMATION INCLUDED.—The report re-
7 quired under paragraph (1) shall include, to the ex-
8 tent available, the following information:

9 (A) The number of qualified opportunity
10 funds.

11 (B) The aggregate dollar amount of assets
12 held in qualified opportunity funds.

13 (C) The aggregate dollar amount of invest-
14 ments made by qualified opportunity funds in
15 qualified opportunity fund property, stated sep-
16 arately for each North American Industry Clas-
17 sification System (NAICS) code.

18 (D) The percentage of population census
19 tracts designated as qualified opportunity zones
20 that have received qualified opportunity fund
21 investments.

22 (E) For each population census tract des-
23 ignated as a qualified opportunity zone, the ap-
24 proximate average monthly number of full-time
25 equivalent employees of the qualified oppor-

1 tunity zone businesses in such qualified oppor-
2 tunity zone for the preceding 12-month period
3 (within numerical ranges identified by the Sec-
4 retary) or such other indication of the employ-
5 ment impact of such qualified opportunity fund
6 businesses as determined appropriate by the
7 Secretary.

8 (F) The percentage of the total amount of
9 investments made by qualified opportunity
10 funds in—

11 (i) qualified opportunity zone property
12 which is real property; and

13 (ii) other qualified opportunity zone
14 property.

15 (G) For each population census tract, the
16 aggregate approximate number of residential
17 units resulting from investments made by quali-
18 fied opportunity funds in real property.

19 (H) The aggregate dollar amount of in-
20 vestments made by qualified opportunity funds
21 in each population census tract.

22 (3) ADDITIONAL INFORMATION.—

23 (A) IN GENERAL.—Beginning with the re-
24 port submitted under paragraph (1) for the 6th
25 year after the date of the enactment of this Act,

1 the Secretary shall include in such report the
2 impacts and outcomes of a designation of a
3 population census tract as a qualified oppor-
4 tunity zone as measured by economic indicators,
5 such as job creation, poverty reduction, new
6 business starts, and other metrics as deter-
7 mined by the Secretary.

8 (B) SEMI-DECENNIAL INFORMATION.—

9 (i) IN GENERAL.—In the case of any
10 report submitted under paragraph (1) in
11 the 6th year or the 11th year after the
12 date of the enactment of this Act, the Sec-
13 retary shall include the following informa-
14 tion:

15 (I) For population census tracts
16 designated as a qualified opportunity
17 zone, a comparison (based on aggre-
18 gate information) of the factors listed
19 in clause (iii) between the 5-year pe-
20 riod ending on the date of the enact-
21 ment of Public Law 115–97 and the
22 most recent 5-year period for which
23 data is available.

24 (II) For population census tracts
25 designated as a qualified opportunity

1 zone, a comparison (based on aggre-
2 gate information) of the factors listed
3 in clause (iii) for the most recent 5-
4 year period for which data is available
5 between such population census tracts
6 and a similar population census tracts
7 that were not designated as a quali-
8 fied opportunity zone.

9 (ii) CONTROL GROUPS.—For purposes
10 of clause (i), the Secretary may combine
11 population census tracts into such groups
12 as the Secretary determines appropriate
13 for purposes of making comparisons.

14 (iii) FACTORS LISTED.—The factors
15 listed in this paragraph are the following:

16 (I) The unemployment rate.

17 (II) The number of persons
18 working in the population census
19 tract, including the percentage of such
20 persons who were not residents in the
21 population census tract in the pre-
22 ceding year.

23 (III) Individual, family, and
24 household poverty rates.

1 (IV) Median family income of
2 residents of the population census
3 tract.

4 (V) Demographic information on
5 residents of the population census
6 tract, including age, income, edu-
7 cation, race, and employment.

8 (VI) The average percentage of
9 income of residents of the population
10 census tract spent on rent annually.

11 (VII) The number of residences
12 in the population census tract.

13 (VIII) The rate of home owner-
14 ship in the population census tract.

15 (IX) The average value of resi-
16 dential property in the population cen-
17 sus tract.

18 (X) The number of affordable
19 housing units in the population census
20 tract.

21 (XI) The number and percentage
22 of residents in the population census
23 tract that were not employed for the
24 preceding year.

1 (XII) The number of new busi-
2 ness starts in the population census
3 tract.

4 (XIII) The distribution of em-
5 ployees in the population census tract
6 by North American Industry Classi-
7 fication System (NAICS) code.

8 (4) PROTECTION OF IDENTIFIABLE RETURN IN-
9 FORMATION.—In making reports required under this
10 subsection, the Secretary—

11 (A) shall establish appropriate procedures
12 to ensure that any amounts reported do not dis-
13 close taxpayer return information that can be
14 associated with any particular taxpayer or com-
15 petitive or proprietary information, and

16 (B) if necessary to protect taxpayer return
17 information, may combine information required
18 with respect to individual population census
19 tracts into larger geographic areas.

20 (5) DEFINITIONS.—Any term used in this para-
21 graph which is also used in subchapter Z of chapter
22 1 of the Internal Revenue Code of 1986 shall have
23 the meaning given such term under such subchapter.

24 (6) REPORTS ON QUALIFIED RURAL OPPOR-
25 TUNITY FUNDS.—The Secretary shall make publicly

1 available, with respect to qualified rural opportunity
2 funds, separate reports as required under this sub-
3 section, applied—

4 (A) by substituting “qualified rural oppor-
5 tunity” for “qualified opportunity” each place it
6 appears, and

7 (B) by substituting “the Small Business
8 Jobs Act” for “Public Law 115–97”.

○