

119TH CONGRESS  
2D SESSION

# S. 4185

To amend the Internal Revenue Code of 1986 to end the tax-free treatment of certain corporate reorganizations that involve large corporations.

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IN THE SENATE OF THE UNITED STATES

MARCH 25, 2026

Mr. WHITEHOUSE (for himself and Mr. HAWLEY) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to end the tax-free treatment of certain corporate reorganizations that involve large corporations.

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.**

4       This Act may be cited as the “Stop Subsidizing Giant  
5       Mergers Act”.

1 **SEC. 2. MODIFICATION OF RULES RELATING TO COR-**  
 2 **PORATE REORGANIZATIONS FOR CERTAIN**  
 3 **LARGE CORPORATIONS.**

4 (a) ACQUISITIVE REORGANIZATIONS.—Section  
 5 368(a)(2) of the Internal Revenue Code of 1986 is amend-  
 6 ed by adding at the end the following new subparagraph:

7 “(I) SPECIAL RULES WITH RESPECT TO  
 8 CERTAIN ACQUISITIVE REORGANIZATIONS DE-  
 9 SCRIBED IN PARAGRAPH (1)(A), (1)(B), (1)(C),  
 10 AND (1)(D).—

11 “(i) IN GENERAL.—A merger, consoli-  
 12 dation, acquisition, or transfer which is de-  
 13 scribed in clause (ii) shall not be treated as  
 14 a merger, consolidation, acquisition, or  
 15 transfer described in paragraph (1)(A),  
 16 (1)(B), (1)(C), or (1)(D).

17 “(ii) TRANSACTIONS DESCRIBED.—A  
 18 merger, consolidation, acquisition, or  
 19 transfer is described in this clause if—

20 “(I) such merger, consolidation,  
 21 acquisition, or transfer is, or is treat-  
 22 ed as, the acquisition of the stock or  
 23 assets of another corporation,

24 “(II) such merger, consolidation,  
 25 acquisition, or transfer is not excepted  
 26 under clause (iii), and

1 “(III) the combined average an-  
2 nual gross receipts of the acquiring  
3 corporation and the acquired corpora-  
4 tion for the 3-taxable year period  
5 which precedes the taxable year in  
6 which the merger, consolidation, ac-  
7 quisition, or transfer is completed ex-  
8 ceeds \$500,000,000.

9 “(iii) EXCEPTIONS.—A merger, con-  
10 solidation, acquisition, or transfer is ex-  
11 cepted under this clause if—

12 “(I) either the acquiring corpora-  
13 tion or the acquired corporation con-  
14 trols the other immediately before  
15 (and, if both corporations continue to  
16 exist, after) the merger, consolidation,  
17 acquisition, or transfer (as the case  
18 may be),

19 “(II) any other corporation con-  
20 trols both the acquiring corporation  
21 and the acquired corporation imme-  
22 diately before (and, if both corpora-  
23 tions continue to exist, after) the  
24 merger, consolidation, acquisition, or  
25 transfer (as the case may be), or

1 “(III) either the acquiring cor-  
 2 poration or the acquired corporation  
 3 meets the gross receipts test of sec-  
 4 tion 448(c)(1) for the taxable year in  
 5 which the merger, consolidation, ac-  
 6 quisition, or transfer is completed.

7 “(iv) AGGREGATION AND OTHER SPE-  
 8 CIAL RULES.—Rules similar to the rules of  
 9 paragraphs (2) and (3) of section 448(c)  
 10 shall apply for purposes of clause (i)(II),  
 11 except that (unless otherwise provided by  
 12 the Secretary) the rules of section  
 13 448(c)(2) shall not apply in determining  
 14 the average annual gross receipts of the  
 15 acquired corporation.

16 “(v) INFLATION ADJUSTMENT.—In  
 17 the case of any taxable year beginning  
 18 after 2026, the dollar amount in clause  
 19 (ii)(III) shall be increased by an amount  
 20 equal to—

21 “(I) such dollar amount, multi-  
 22 plied by

23 “(II) the cost-of-living adjust-  
 24 ment determined under section 1(f)(3)  
 25 for the calendar year in which such

1 taxable year begins, determined by  
 2 substituting ‘calendar year 2025’ for  
 3 ‘calendar year 2016’ in subparagraph  
 4 (A)(ii) thereof.

5 If any amount as increased under the pre-  
 6 ceding sentence is not a multiple of  
 7 \$1,000,000, such amount shall be rounded  
 8 to the nearest multiple of \$1,000,000.

9 “(vi) REGULATIONS AND GUID-  
 10 ANCE.—The Secretary may prescribe such  
 11 regulations and other guidance as are nec-  
 12 essary or appropriate to carry out, and to  
 13 prevent the abuse of the purposes of, this  
 14 subparagraph, including rules—

15 “(I) to prevent the avoidance of  
 16 the application of this subparagraph  
 17 through the use of a series of trans-  
 18 actions designed and executed as  
 19 parts of a unitary plan, and

20 “(II) for the nonapplication of  
 21 the rules of clause (i) where such non-  
 22 application is consistent with the pur-  
 23 poses of this subparagraph.”.

24 (b) TRANSFERS TO CORPORATIONS CONTROLLED BY  
 25 TRANSFERORS.—Section 351 is amended by redesignating

1 subsection (h) as subsection (i) and by inserting after sub-  
 2 section (g) the following new subsection:

3 “(h) SPECIAL RULE WITH RESPECT TO MULTIPLE  
 4 TRANSFERORS.—

5 “(1) IN GENERAL.—Subsection (a) shall not  
 6 apply to any transfer of property by two or more  
 7 persons which are corporations if the combined aver-  
 8 age annual gross receipts of such persons for the 3-  
 9 taxable year period which precedes the taxable year  
 10 of the transfer exceeds \$500,000,000.

11 “(2) EXCEPTION.—Clause (i) shall not apply  
 12 if—

13 “(A) such persons control the corporation  
 14 to which the property is transferred imme-  
 15 diately before the transfer,

16 “(B) another corporation controls all such  
 17 persons and the corporation to which the prop-  
 18 erty is transferred immediately before the  
 19 transfer, or

20 “(C) all such persons meet the gross re-  
 21 ceipts test of section 448(c)(1) for the taxable  
 22 year in which the transfer is made.

23 “(3) AGGREGATION AND OTHER SPECIAL  
 24 RULES.—Rules similar to the rules of paragraphs

1 (2) and (3) of section 448(c) shall apply for pur-  
 2 poses of paragraph (1).

3 “(4) INFLATION ADJUSTMENT.—In the case of  
 4 any taxable year beginning after 2026, the dollar  
 5 amount in paragraph (1) shall be increased by an  
 6 amount equal to—

7 “(A) such dollar amount, multiplied by

8 “(B) the cost-of-living adjustment deter-  
 9 mined under section 1(f)(3) for the calendar  
 10 year in which such taxable year begins, deter-  
 11 mined by substituting ‘calendar year 2025’ for  
 12 ‘calendar year 2016’ in subparagraph (A)(ii)  
 13 thereof.

14 If any amount as increased under the preceding sen-  
 15 tence is not a multiple of \$1,000,000, such amount  
 16 shall be rounded to the nearest multiple of  
 17 \$1,000,000.

18 “(5) REGULATIONS AND GUIDANCE.—The Sec-  
 19 retary may prescribe such regulations and other  
 20 guidance as are necessary or appropriate to carry  
 21 out, and to prevent the abuse of the purposes of,  
 22 this subparagraph, including rules—

23 “(A) to prevent the avoidance of the appli-  
 24 cation of this subsection through the use of a

1           series of transactions designed and executed as  
2           parts of a unitary plan, and

3           “(B) for the nonapplication of the rules of  
4           paragraph (1) where such nonapplication is  
5           consistent with the purposes of this sub-  
6           section.”.

7           (c) EFFECTIVE DATE.—The amendments made by  
8           this section shall apply to transfers after the date of the  
9           enactment of this Act.

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