

119TH CONGRESS
2D SESSION

S. 4662

To amend the Internal Revenue Code of 1986 to ensure that high net-worth individuals cannot avoid paying taxes on their income and assets.

IN THE SENATE OF THE UNITED STATES

JUNE 2, 2026

Mr. GALLEGO introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to ensure that high net-worth individuals cannot avoid paying taxes on their income and assets.

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 “Redistribution Of Bil-
5 lions by Instituting New High-income Obligations on
6 Overlooked Debt Act of 2026” or the “ROBINHOOD Act
7 of 2026”.

1 **SEC. 2. TREATMENT OF LOANS FOR HIGH NET-WORTH INDIVIDUALS.**
 2

3 (a) IN GENERAL.—Subchapter P of chapter 1 of the
 4 Internal Revenue Code of 1986 is amended by adding at
 5 the end the following new part:

6 **“PART VII—TREATMENT OF LOANS FOR**
 7 **APPLICABLE TAXPAYERS**

“Sec. 1299. Treatment of loans for applicable taxpayers.

“Sec. 1299A. Applicable taxpayer defined.

“Sec. 1299B. Terms and rules relating to covered assets.

8 **“SEC. 1299. TREATMENT OF LOANS FOR APPLICABLE TAX-**
 9 **PAYERS.**

10 “(a) IN GENERAL.—In the case of any loan issued
 11 to an applicable taxpayer, an amount of long-term capital
 12 assets (as identified by the applicable taxpayer) held by
 13 the applicable taxpayer for which the long-term capital
 14 gain is equal to or greater than the amount of the loan
 15 shall be treated as sold for their fair market value on the
 16 last day of the taxable year in which such loan was issued.

17 “(b) ADJUSTMENT OF BASIS.—

18 “(1) IN GENERAL.—In the case of any applica-
 19 ble taxpayer to which subsection (a) applies, such
 20 taxpayer may increase the basis of any long-term
 21 capital asset held by such taxpayer to the extent of
 22 the gain recognized pursuant to subsection (a) with
 23 respect to such long-term capital asset, provided

1 that the basis of the long-term capital asset does not
2 exceed the fair market value of such asset.

3 “(2) EXCEPTION.—Paragraph (1) shall not
4 apply with respect to any property of a character
5 which is subject to the allowance for depreciation
6 provided in section 167, including any property to
7 which section 1231 would otherwise apply.

8 “(c) TREATMENT OF LONG-TERM CAPITAL GAIN.—
9 For purposes of section 1(h) and determining net long-
10 term capital gain, the amount of any long-term capital
11 gain from assets treated as sold pursuant to subsection
12 (a) during any taxable year may not be reduced or offset
13 by any long-term capital losses for such taxable year, in-
14 cluding any losses carried forward to such taxable year.

15 “(d) LONG-TERM CAPITAL ASSET.—The term ‘long-
16 term capital asset’ means a capital asset held for more
17 than 1 year.

18 “(e) SPECIAL RULES.—

19 “(1) NONRESIDENT ALIEN.—In the case of any
20 loan issued to an applicable taxpayer who is a non-
21 resident alien individual, subsection (a) shall apply
22 with respect to long-term capital assets (as identified
23 by the applicable taxpayer) which are effectively con-
24 nected with the conduct of a trade or business with-
25 in the United States.

1 “(2) CITIZENS AND RESIDENTS LIVING
2 ABROAD.—The amount to which subsection (a) ap-
3 plies shall be reduced by any amounts excluded from
4 the taxpayer’s gross income under section 911.

5 “(f) TREATMENT OF LEASES.—

6 “(1) IN GENERAL.—For purposes of this sec-
7 tion, in the case of an applicable taxpayer that en-
8 ters into a lease with respect to any property for
9 which the term is greater than 5 years—

10 “(A) such lease shall be treated in the
11 same manner as a loan issued to such taxpayer,
12 and

13 “(B) for purposes of the application of
14 subsection (a)—

15 “(i) the fair market value of such
16 property on the last day of the taxable
17 year in which the applicable taxpayer en-
18 tered into the lease shall be treated as the
19 amount of the loan, and

20 “(ii) the taxable year in which the ap-
21 plicable taxpayer entered into the lease
22 shall be treated as the taxable year in
23 which the loan was issued.

24 “(2) SUBSEQUENT LEASES.—

“(A) IN GENERAL.—For purposes of this subsection, in the case of an applicable taxpayer that enters into a lease with respect to any property for a term of not greater than 5 years (referred to in this paragraph as the ‘original lease’) and—

“(i) subsequently extends the term of the original lease, or

“(ii) enters into a lease for any term with respect to any other property which is substantially identical to the property under the original lease,

the term of the original lease shall include the period of the extension described in clause (i) or the term of the lease described in clause (ii), as applicable.

“(B) REALIZATION AND VALUATION.—In the case of a lease to which subparagraph (A) applies, the taxable year in which the original lease is extended (as described in clause (i) of such subparagraph) or a lease is entered into for property which is substantially identical (as described in clause (ii) of such subparagraph), as applicable, shall be deemed to be the taxable

1 year in which the applicable taxpayer entered
2 into the lease for purposes of paragraph (1)(B).

3 “(g) EXISTING LOANS.—In the case of any loans
4 which were issued to an applicable taxpayer prior to the
5 date of enactment of this section—

6 “(1) the total principal balance of such loans
7 which is outstanding as of such date shall be deemed
8 to be one loan that was issued to the applicable tax-
9 payer on January 1, 2027, and

10 “(2) the requirements under subsection
11 (i)(3)(B) shall not apply.

12 “(h) NON-AVOIDANCE RULES.—

13 “(1) IN GENERAL.—In the case of any loan
14 issued to an applicable entity—

15 “(A) the loan shall be deemed to have been
16 issued to the owners of such applicable entity
17 on a pro rata basis, and

18 “(B) if any owner described in subpara-
19 graph (A) is an applicable taxpayer, subsection
20 (a) shall apply with respect to such taxpayer’s
21 pro rata share of such loan.

22 “(2) NOTIFICATION.—Not later than 30 days
23 after a loan described in paragraph (1) has been
24 issued, the applicable entity shall provide notice to
25 all owners that—

1 “(A) a loan has been issued to the applica-
2 ble entity, and

3 “(B) the amount of such loan and the pro
4 rata share that each owner has been assigned
5 pursuant to paragraph (1)(A).

6 “(3) OWNER.—

7 “(A) IN GENERAL.—The term ‘owner’
8 means, with respect to any applicable entity, a
9 taxpayer who owns (or is considered as owning
10 within the meaning of section 318) capital or
11 profits interests in such entity.

12 “(B) CONSTRUCTIVE OWNERSHIP
13 RULES.—For purposes of this subparagraph,
14 ownership in such entity shall be determined in
15 accordance with regulations prescribed by the
16 Secretary which shall be based on principles
17 similar to the principles of section 318.

18 “(4) CERTAIN LEASES.—For purposes of this
19 subsection, in the case of an applicable entity that
20 enters into a lease, subsection (f) shall not apply
21 with respect to such lease unless the transaction is
22 in violation of the economic substance doctrine (as
23 described in section 7701(o)).

24 “(i) REGULATIONS AND GUIDANCE.—The Secretary
25 shall prescribe such guidance and regulations as may be

1 necessary to carry out the purposes of this section, includ-
 2 ing guidance and regulations—

3 “(1) to assist taxpayers in complying with the
 4 requirements of this section,

5 “(2) that specifies required content to be in-
 6 cluded in the notification under subsection (h)(2),
 7 and

8 “(3) to require reporting by—

9 “(A) any applicable taxpayer to which a
 10 loan was issued, and

11 “(B) any entity that issues a loan to an
 12 applicable taxpayer.

13 **“SEC. 1299A. APPLICABLE TAXPAYER DEFINED.**

14 “(a) IN GENERAL.—For purposes of this part—

15 “(1) IN GENERAL.—The term ‘applicable tax-
 16 payer’ means, with respect to any taxable year, any
 17 taxpayer—

18 “(A) which is an individual who met either
 19 the income test of paragraph (2) or the asset
 20 test of paragraph (3) for each of the 3 imme-
 21 diately preceding taxable years (including tax-
 22 able years beginning before the date of the en-
 23 actment of this part which are included in any
 24 such 3-taxable-year period), or

25 “(B) which is—

1 “(i) an applicable trust, or

2 “(ii) the estate of an individual who
3 was an applicable taxpayer for any taxable
4 year during the 4-taxable-year period end-
5 ing with the taxable year in which the indi-
6 vidual died.

7 “(2) INCOME TEST.—The requirements of this
8 paragraph are met for any taxable year if the appli-
9 cable adjusted gross income of the taxpayer for the
10 taxable year exceeds \$100,000,000 (\$50,000,000 in
11 the case of a married individual filing separately).

12 “(3) ASSET TEST.—

13 “(A) IN GENERAL.—The requirements of
14 this paragraph are met for any taxable year if
15 the aggregate applicable value of all tradable
16 and nontradable covered assets held by the tax-
17 payer as of the close of the taxable year exceeds
18 \$1,000,000,000 (\$500,000,000 in the case of a
19 married individual filing separately).

20 “(B) TREATMENT OF OWNERSHIP INTER-
21 ESTS IN APPLICABLE ENTITIES.—For purposes
22 of subparagraph (A), any ownership interest in
23 an applicable entity which is—

1 “(i) held directly (or indirectly
 2 through 1 or more nontradable interests)
 3 by an applicable taxpayer, and

4 “(ii) a tradable or nontradable cov-
 5 ered asset,

6 shall be treated in the same manner as any
 7 other tradable or nontradable covered asset.

8 “(4) SPECIAL RULES RELATING TO APPLICABLE
 9 TAXPAYER STATUS.—

10 “(A) TERMINATION OF STATUS OF INDIVIDUAL TAXPAYERS.—A taxpayer who is treat-
 11 ed as an applicable taxpayer under paragraph
 12 (1)(A) for any taxable year shall continue to be
 13 so treated until the first taxable year with re-
 14 spect to which—

15 “(i) the taxpayer does not, for each of
 16 the 3 taxable years immediately preceding
 17 such taxable year, meet either—
 18

19 “(I) the income test of paragraph
 20 (2) in effect for such preceding tax-
 21 able year, or

22 “(II) the asset test of paragraph
 23 (3) in effect for such preceding tax-
 24 able year,

1 except that each such paragraph shall be
2 applied for purposes of this clause by sub-
3 stituting an amount equal to one-half of
4 the dollar amount otherwise in effect for
5 such taxpayer under such paragraph for
6 each such preceding taxable year for such
7 dollar amount, and

8 “(ii) the taxpayer elects, in such man-
9 ner and form and at such time as the Sec-
10 retary may prescribe, not to be so treated
11 for such first taxable year.

12 “(B) EARLIER TERMINATION ELECTION OF
13 APPLICABLE TAXPAYER STATUS FOR DIVORCED
14 INDIVIDUALS.—If—

15 “(i) an applicable taxpayer ceases to
16 be a married individual by reason of a de-
17 cree of divorce or separate maintenance
18 issued during any taxable year, and

19 “(ii) such taxpayer, for the first tax-
20 able year following the taxable year de-
21 scribed in clause (i), does not meet ei-
22 ther—

23 “(I) the income test of paragraph
24 (2), except that such paragraph shall
25 be applied for purposes of this sub-

1 clause by substituting ‘\$1,000,000’
2 for the dollar amount otherwise in ef-
3 fect for such taxpayer under such
4 paragraph, or

5 “(II) the asset test of paragraph
6 (3), except that such paragraph shall
7 be applied for purposes of this sub-
8 clause by substituting ‘\$10,000,000’
9 for the dollar amount otherwise in ef-
10 fect for such taxpayer under such
11 paragraph,

12 then such taxpayer may elect, in such manner
13 and form and at such time as the Secretary
14 may prescribe, not to be treated as an applica-
15 ble taxpayer beginning with such first taxable
16 year.

17 “(C) ELECTION.—An election under sub-
18 paragraph (A) or (B)—

19 “(i) shall be made with the taxpayer’s
20 return of tax for the taxable year to which
21 such election first applies (or such other
22 time as the Secretary shall prescribe) and
23 shall be in such form and manner as the
24 Secretary may prescribe, and

1 “(ii) shall apply to such first taxable
2 year and all subsequent taxable years until
3 the first taxable year for which the tax-
4 payer is again treated as an applicable tax-
5 payer by reason of meeting the require-
6 ments of paragraph (1)(A).

7 “(5) SPECIAL RULES FOR MARRIED INDIVID-
8 UALS.—

9 “(A) APPLICABLE TAXPAYERS BECOMING
10 MARRIED INDIVIDUALS.—If an individual was
11 an applicable taxpayer for the taxable year be-
12 fore the individual became a married individual
13 (within the meaning of section 7703), such indi-
14 vidual and the individual’s spouse shall be
15 treated as applicable taxpayers for such taxable
16 year of marriage and subsequent taxable years
17 until such status is otherwise terminated under
18 this section.

19 “(B) MARRIED INDIVIDUALS FILING SEPA-
20 RATELY.—If a married individual filing sepa-
21 rately is treated as an applicable taxpayer for
22 any taxable year, such individual’s spouse shall
23 be treated as an applicable taxpayer for such
24 taxable year.

1 “(C) FIRST-YEAR ELECTIONS.—Under
 2 rules prescribed by the Secretary, if an indi-
 3 vidual is first treated as an applicable taxpayer
 4 for a taxable year by reason of the application
 5 of subparagraph (A) or (B), section 496 shall
 6 apply to such taxpayer for such first taxable
 7 year only with respect to assets held separately
 8 by such individual unless such taxable year is
 9 also the first taxable year for which the individ-
 10 ual’s spouse is an applicable taxpayer.

11 “(6) REGULATORY AUTHORITY.—The Secretary
 12 shall prescribe such regulations and guidance as may
 13 be necessary to carry out the provisions of this sub-
 14 section, including—

15 “(A) rules waiving the application of para-
 16 graph (5)(B) in cases where the Secretary de-
 17 termines equitable relief is appropriate,

18 “(B) rules providing for the application of
 19 this subsection in cases where the filing status
 20 of a taxpayer changes between any taxable year
 21 and any of the 3 immediately preceding taxable
 22 years, including the first taxable year in which
 23 a taxpayer files a joint return after becoming
 24 married, and

1 “(C) rules requiring such information re-
 2 porting as the Secretary determines necessary
 3 to determine whether a taxpayer is an applica-
 4 ble taxpayer.

5 “(b) APPLICABLE ADJUSTED GROSS INCOME.—For
 6 purposes of this section, the term ‘applicable adjusted
 7 gross income’ means modified adjusted gross income as
 8 defined in section 36B(d)(2)(B), except that—

9 “(1) clause (i) thereof shall be applied by sub-
 10 stituting ‘sections 911, 931, and 933’ for ‘section
 11 911’, and

12 “(2) in the case of a trust, no deduction under
 13 section 651 or 661 shall be allowed.

14 “(c) APPLICABLE TRUST.—For purposes of this sec-
 15 tion—

16 “(1) IN GENERAL.—The term ‘applicable trust’
 17 means a trust (other than a grantor trust) which,
 18 for each of the 3 taxable years immediately pre-
 19 ceding such taxable year (including taxable years be-
 20 ginning before the date of the enactment of this part
 21 which are included in any such 3-taxable-year pe-
 22 riod), meets either—

23 “(A) the income test of subsection (a)(2),
 24 except that such subsection shall be applied for
 25 purposes of this subparagraph by substituting

1 ‘\$10,000,000’ for the dollar amount otherwise
 2 in effect for such taxable year under such para-
 3 graph, or

4 “(B) the asset test of subsection (a)(3), ex-
 5 cept that such subsection shall be applied for
 6 purposes of this subparagraph by substituting
 7 ‘\$100,000,000’ for the dollar amount otherwise
 8 in effect for such taxable year under such para-
 9 graph.

10 “(2) EXCEPTIONS.—Such term shall not in-
 11 clude—

12 “(A) a qualified disability trust (as defined
 13 in section 642(b)(2)(C)(ii)),

14 “(B) any portion of a trust which consists
 15 of property permanently set aside for the exclu-
 16 sive use of an organization described in section
 17 170(c),

18 “(C) a pooled income fund (as defined in
 19 section 642(c)(5)) or a cemetery perpetual care
 20 fund (as described in section 642(i)),

21 “(D) a settlement trust (as defined in sec-
 22 tion 646),

23 “(E) any charitable remainder annuity
 24 trust (as defined in section 664),

1 “(F) any charitable remainder unitrust (as
2 defined in section 664), or

3 “(G) any other category of trust identified
4 in regulations or guidance provided by the Sec-
5 retary.

6 “(3) GRANTOR TRUSTS.—

7 “(A) GRANTOR TRUST DEFINED.—For
8 purposes of this section, the term ‘grantor
9 trust’ means any portion of a trust with respect
10 to which the grantor or any other person is con-
11 sidered the owner under subpart E of part I of
12 subchapter J.

13 “(B) ASSETS OF GRANTOR TRUST TAKEN
14 INTO ACCOUNT.—For purposes of subsection
15 (a)(1)(A), the assets of a grantor trust shall be
16 included in the assets of—

17 “(i) the grantor of such trust if the
18 grantor is considered the owner of such as-
19 sets, and

20 “(ii) if a person other than the grant-
21 or is considered the owner of such assets,
22 both the grantor and such person.

23 “(d) SPECIAL RULES FOR FOREIGN PERSONS AND
24 EXPATRIATES.—For purposes of this part—

1 “(1) NONRESIDENT ALIEN INDIVIDUALS.—The
 2 following rules shall apply in determining whether a
 3 nonresident alien individual is an applicable tax-
 4 payer:

5 “(A) INCOME TEST.—For purposes of the
 6 income test under subsection (a)(2)—

7 “(i) such subsection shall be applied
 8 for purposes of this subparagraph by sub-
 9 stituting ‘\$50,000,000’ for the dollar
 10 amount otherwise in effect for such taxable
 11 year under such paragraph, and

12 “(ii) the applicable adjusted gross in-
 13 come of such individual shall be equal to
 14 the taxable income of such individual, de-
 15 termined by only taking into account items
 16 of income, gain, deduction, and loss which
 17 are effectively connected with the conduct
 18 of trades or businesses within the United
 19 States.

20 “(B) ASSET TEST.—For purposes of the
 21 asset test under subsection (a)(3)—

22 “(i) such subsection shall be applied
 23 for purposes of this subparagraph by sub-
 24 stituting ‘\$500,000,000’ for the dollar

1 amount otherwise in effect for such taxable
 2 year under such paragraph, and

3 “(ii) only assets which produce income
 4 described in subparagraph (A) shall be
 5 taken into account.

6 “(2) EXPATRIATES.—

7 “(A) IN GENERAL.—If, for the taxable
 8 year which includes a covered expatriate’s expa-
 9 triation date, such expatriate—

10 “(i) was an applicable taxpayer (with-
 11 out regard to this paragraph), or

12 “(ii) is an applicable taxpayer under
 13 the rules of subparagraph (B),
 14 such expatriate shall be treated as an applicable
 15 taxpayer during each of the taxable years dur-
 16 ing the 10-taxable-year period beginning with
 17 such taxable year (and such status shall not be
 18 terminated during such period by reason of any
 19 other provision of this part).

20 “(B) SPECIAL RULES FOR DETERMINING
 21 STATUS.—For purposes of subparagraph
 22 (A)(ii), a covered expatriate not otherwise treat-
 23 ed as an applicable taxpayer shall be treated as
 24 an applicable taxpayer if, during any of the 5
 25 taxable years immediately preceding the taxable

1 year which includes the covered expatriate's ex-
2 patriation date (including taxable years begin-
3 ning before the date of the enactment of this
4 part which are included in any such 5-taxable-
5 year period), the expatriate meets either—

6 “(i) the income test of subsection
7 (a)(2), except that such subsection shall be
8 applied for purposes of this subparagraph
9 by substituting ‘\$50,000,000’ for the dollar
10 amount otherwise in effect for such taxable
11 year under such paragraph, or

12 “(ii) the asset test of subsection
13 (a)(3), except that such subsection shall be
14 applied for purposes of this subparagraph
15 by substituting ‘\$500,000,000’ for the dol-
16 lar amount otherwise in effect for such
17 taxable year under such paragraph.

18 “(C) DEFINITIONS.—Any term used in
19 this paragraph which is also used in section
20 877A shall have the same meaning as when
21 used in such section.

1 **“SEC. 1299B. TERMS AND RULES RELATING TO COVERED**
2 **ASSETS.**

3 “(a) COVERED ASSET.—For purposes of this part,
4 the term ‘covered asset’ means any tradable covered asset
5 and any nontradable covered asset.

6 “(b) TRADABLE COVERED ASSET.—For purposes of
7 this part, the term ‘tradable covered asset’ means—

8 “(1) any asset if—

9 “(A) interests in such asset are traded on
10 an established securities market,

11 “(B) interests in such assets are readily
12 tradable on a secondary market (or the sub-
13 stantial equivalent thereof),

14 “(C) interests in such assets are available
15 on an online or electronic platform that regu-
16 larly matches, or facilitates the matching of,
17 buyers and sellers of such assets, or

18 “(D) such asset is an asset for which the
19 Secretary determines there is a reasonable basis
20 to determine the asset’s fair market value annu-
21 ally, and

22 “(2) any derivative with respect to an under-
23 lying investment which—

24 “(A) is an asset described in paragraph
25 (1), or

1 “(B) is a nontradable covered asset which
 2 is identified in regulations or other guidance
 3 provided by the Secretary.

4 “(c) NONTRADABLE COVERED ASSET.—For pur-
 5 poses of this part—

6 “(1) IN GENERAL.—The term ‘nontradable cov-
 7 ered asset’ means any asset which is not a tradable
 8 covered asset, including—

9 “(A) any interest of the taxpayer in an ap-
 10 plicable savings plan or in a defined benefit
 11 plan,

12 “(B) any cash or cash equivalent, or

13 “(C) any private placement life insurance
 14 or annuity contract described in section
 15 72(e)(12)(D).

16 “(2) INVESTMENTS IN QUALIFIED OPPOR-
 17 TUNITY FUNDS.—Notwithstanding subsection (b),
 18 any investment in a qualified opportunity fund (as
 19 defined in section 1400Z–2(d)) shall be treated as a
 20 nontradable covered asset.

21 “(d) APPLICABLE VALUE.—For purposes of this
 22 part—

23 “(1) TRADABLE COVERED ASSETS.—The appli-
 24 cable value of any tradable covered asset as of any
 25 date shall be its fair market value on such date.

1 “(2) NONTRADABLE COVERED ASSETS.—The
 2 applicable value of any nontradable covered asset as
 3 of any date shall be the greatest of—

4 “(A) the original cost basis of such asset,

5 “(B) the adjusted basis of such asset,

6 “(C) the value determined as of the date of
 7 the last event with respect to the asset which
 8 establishes such value,

9 “(D) in the case of an asset the value of
 10 which is included in an applicable financial
 11 statement, the value in the latest available
 12 statement,

13 “(E) the value of such asset determined
 14 for purposes of using such asset to secure any
 15 indebtedness, and

16 “(F) the value of such asset determined
 17 under such other valuation method as the Sec-
 18 retary may prescribe.

19 If a covered asset would, but for subsection (c)(2) or
 20 any other provision of this part, be treated as a
 21 tradable covered asset, the asset’s applicable value
 22 shall be determined under paragraph (1).

23 “(3) ADJUSTMENT FOR DEBT AND OTHER LI-
 24 ABILITIES OF THE TAXPAYER.—Except as provided
 25 by the Secretary, the aggregate applicable value of

1 all covered assets of the taxpayer as of any date (de-
2 termined without regard to this paragraph) shall be
3 reduced by the aggregate outstanding amount of—

4 “(A) indebtedness of the taxpayer as of
5 such date, and

6 “(B) any other liabilities (other than in-
7 debtedness) of the taxpayer as of such date
8 which the Secretary determines are appropriate
9 to be taken into account for such purpose.

10 “(4) RELIANCE ON VALUATION.—In deter-
11 mining the applicable value of any tradable covered
12 asset for purposes of this section, the taxpayer may
13 rely on a valuation which is—

14 “(A) provided to the taxpayer by a broker
15 under section 6045(b),

16 “(B) provided to the taxpayer by a dealer
17 in securities or a dealer in commodities, within
18 the meaning of section 475,

19 “(C) determined under an applicable finan-
20 cial statement, or

21 “(D) provided to the taxpayer by such
22 other persons as may be designated by the Sec-
23 retary.

24 “(5) PRIVATE PLACEMENT LIFE INSURANCE
25 AND ANNUITY CONTRACTS.—

1 “(A) IN GENERAL.—The applicable value
 2 of a private placement life insurance or annuity
 3 contract (as defined in section 72(e)(12)(D)) as
 4 of any date shall be its cash surrender value (as
 5 determined under section 7702(f)(2)(A)) on
 6 such date.

7 “(B) ADJUSTMENTS.—The Secretary shall
 8 by regulation provide for adjustments to the
 9 cash surrender value determined under sub-
 10 paragraph (A) with respect to any contract to
 11 the extent necessary to prevent the avoidance of
 12 the purposes of this part, including regulations
 13 which ensure that such value as of any time
 14 properly reflects the value of any underlying in-
 15 vestments with respect to such contract as of
 16 such time.

17 “(6) SPECIAL RULES FOR APPLICABLE ENTI-
 18 TIES.—In the case of an applicable entity—

19 “(A) the value of a partner’s ownership in-
 20 terest in such partnership under paragraph
 21 (2)(C) shall not be less than the value of the
 22 partner’s capital account under section 704,
 23 and

24 “(B) the Secretary shall provide rules for
 25 determining the share of a holder of an owner-

1 ship interest in such an entity of amounts in-
 2 cluded in an applicable financial statement of
 3 such entity for purposes of applying paragraph
 4 (2)(D).

5 “(7) SECRETARIAL AUTHORITY.—The Secretary
 6 shall prescribe such regulations, rules, and guidance
 7 as may be necessary to carry out the purposes of
 8 this subsection, including regulations, rules, and
 9 guidance which—

10 “(A) prevent the avoidance of such pur-
 11 poses,

12 “(B) provide rules for the application of
 13 paragraph (2)(C), including in cases of trans-
 14 actions in which gain or loss is not recognized
 15 in connection with contributions, distributions,
 16 and sales of substantially similar property from
 17 which value may be derived, and

18 “(C) provide rules for determining the ap-
 19 plicable value of assets in taxable years begin-
 20 ning before the date of the enactment of this
 21 part.

22 “(e) OTHER DEFINITIONS.—For purposes of this
 23 part—

24 “(1) APPLICABLE ENTITY.—The term ‘applica-
 25 ble entity’ means any—

1 “(A) partnership,

2 “(B) S corporation, or

3 “(C) other pass-through entity specified in
4 regulations or guidance prescribed by the Sec-
5 retary.

6 “(2) APPLICABLE FINANCIAL STATEMENT.—

7 For purposes of this subsection, the term ‘applicable
8 financial statement’ has the meaning given such
9 term by section 451(b)(3).

10 “(3) APPLICABLE SAVINGS PLAN.—The term
11 ‘applicable savings plan’ means—

12 “(A) a defined contribution plan to which
13 section 401(a) or 403(a) applies,

14 “(B) an annuity contract under section
15 403(b),

16 “(C) an eligible deferred compensation
17 plan described in section 457(b) which is main-
18 tained by an eligible employer described in sec-
19 tion 457(e)(1)(A),

20 “(D) an individual retirement plan,

21 “(E) an Archer MSA (within the meaning
22 of section 220(d)),

23 “(F) a qualified tuition program (as de-
24 fined in section 529(b)),

1 “(G) an ABLE account (as defined in sec-
2 tion 529A(e)(6)),

3 “(H) a Coverdell education savings account
4 (as defined in section 530), or

5 “(I) a health savings account (within the
6 meaning of section 223(d)).

7 “(4) DERIVATIVE.—The term ‘derivative’ has
8 the meaning given such term under section
9 59A(h)(4).

10 “(5) NONTRADABLE INTEREST.—The term
11 ‘nontradable interest’ means any ownership interest
12 in an applicable entity which is a nontradable cov-
13 ered asset.

14 “(6) UNDERLYING INVESTMENT.—The term
15 ‘underlying investment’ means, with respect to any
16 derivative, any item—

17 “(A) which is described in clauses (i)
18 through (v) of section 59A(h)(4)(A) (or any
19 item substantially the same as any such item),
20 and

21 “(B) by reference to which the value of the
22 derivative, or any payment or other transfer
23 with respect to the derivative, is determined ei-
24 ther directly or indirectly.”.

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

“PART VII—TREATMENT OF LOANS FOR APPLICABLE TAXPAYERS”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to taxable years beginning after
6 December 31, 2026.

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