SA 1834. Mr. BENNET submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1835. Mr. GRASSLEY (for himself, Mr. PORTMAN, Mr. RHODES, Mr. TRUMP, and Mr. THUNE) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1836. Mr. HATCH submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1837. Mr. INHOFE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1838. Mr. SASSE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1839. Mr. SASSE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1840. Mr. INHOFE (for himself and Mr. LANKFORD) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1841. Mr. GARDNER submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1842. Mr. RUHIO (for himself and Mr. LEE) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1843. Mr. LANKFORD submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1844. Mr. INHOFE (for himself and Mr. LANKFORD) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1845. Mr. CORNYN (for Mr. KANE (for himself, Mr. MANCHIN, Mrs. MCCASKILL, and Mr. BENNET)) proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1846. Mr. CORNYN (for Mr. KANE (for himself, Mr. MANCHIN, Mrs. MCCASKILL, and Mr. BENNET)) proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1847. Ms. CANTWELL submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1848. Ms. CANTWELL submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1849. Mr. BENNET submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1850. Mr. MCCONNELL (for Mr. RUBIO (for himself, Mr. LEE, Mr. SASSE, and Mr. KENNEDY)) proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra.

SA 1851. Mr. RUBIO (for himself, Mr. LEE, Mr. SASSE, and Mr. KENNEDY) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1852. Mr. CORNYN (for Mr. CRUZ (for himself, Mr. COTTON, Mr. KENNEDY, and Mr. SASSE)) proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra.

SA 1853. Mr. INHOFE (for himself and Mr. LANKFORD) submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1854. Mr. MCCONNELL (for Mr. BROWN (for himself, Mr. BENNET, Mr. DUBRIN, Mr. CASHY, Mr. WYDEN, Mrs. MURRAY, and Mr. MENENDEZ)) proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra.

SA 1855. Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra.

SA 1856. Mr. MERKLEY proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra.

SA 1857. Mr. DAINES (for himself, Mrs. ERNST, Mr. LANKFORD, Mr. MORAN, Mrs. FISCHER, Mr. BLUMENTHAL, Mr. LEE, Mr. RISCH, and Mr. SASSE) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1858. Ms. BALDWIN submitted an amendment intended to be proposed by her to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1859. Mr. FRANKEN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1860. Mr. FRANKEN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1861. Mr. FRANKEN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

SA 1862. Mr. FRANKEN submitted an amendment intended to be proposed by him to the bill H.R. 1, supra; which was ordered to lie on the table.

TEXT OF AMENDMENTS
SA 1811. Mr. BLUNT submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, supra; to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

On page 381, line 1, strike “(c) REGULATIONS.—” and insert “(g) ELECTION TO BE TREATED AS A SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION.—For purposes of this section—

“(1) IN GENERAL.—An electing insurance, banking, and financing branch shall be treated as a specified 10-percent owned foreign corporation.

“(b) QUALIFIED INSURANCE BRANCH.—The term ‘qualified insurance branch’ means a qualified business unit (within the meaning of section 989(a)) of a domestic corporation that is an insurance company taxable under subchapter L, if such unit is licensed, authorized, or regulated by the applicable insurance regulatory body for its home country to sell insurance, reinsurance, or annuity contracts to persons other than related persons (within the meaning of section 964(d)(3)) in such host country. Any term used in this paragraph which is defined in section 953(e) shall have the meaning given to such term by section 953(e).

“(c) QUALIFIED BANKING AND FINANCING BRANCH.—The term ‘qualified banking and financing branch’ means a qualified business unit (within the meaning of section 989(a)) of a domestic corporation that is a bank taxable under subchapter H, if such unit is predominately engaged in the active conduct of a banking, financing, or similar business, and conducts substantial activity with respect to such business. Any term used in this paragraph which is also used in section 953(e) shall have the meaning given to such term by section 953(e).

“(d) ELECTION.—

“(A) IN GENERAL.—A domestic corporation may make the election described in this paragraph with respect to qualified insurance branch or qualified banking and financing branch for any taxable year.

“(B) DURATION AND TERMINATION OF ELECT-RATION.—Subject to subparagraph (d) this election made under this paragraph for any taxable year shall remain in effect for all subsequent taxable years, except that it may be revoked with the consent of the Secretary.

“(C) TIMING OF ELECTION.—The election provided by this paragraph shall be made not later than the time prescribed by law for filing such return for the taxable year (including extensions thereof) with respect to which such election is made, and such election and any approved revocation thereof shall be made in the manner provided by the Secretary.

“(d) SEPARATE ACCOUNTS REQUIRED.—Any domestic corporation which makes the election described in this paragraph for the purpose of treating a qualified business unit shall establish and maintain a separate account for the various income, exclusion, deduction, asset, reporting, and liability, and properly attributable to the qualified business unit. Such separate accounting shall be made—
to amendment SA 1618 proposed by Mr. McCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

At the appropriate place in title I, insert the following:

SEC. 1. EXTENSION OF AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.

(a) In General.—Section 119(d) of division A of the Tax Relief and Health Care Act of 2006 is amended—

(1) by striking "January 1, 2023" each place it appears and inserting "January 1, 2023".

(2) by striking "first 11 taxable years" in paragraph (1) and inserting "first 17 taxable years".

(3) by striking "first 5 taxable years" in paragraph (2) and inserting "first 11 taxable years".

(b) Treatment of Certain References.—

Section 119(e) of division A of the Tax Relief and Health Care Act of 2006 is amended by adding at the end the following:

"(6) Franchise exception.—In the case of a taxpayer utilizing business format franchising under part 436 of title 16, Code of Federal Regulations, with respect to any qualified trade or business, paragraph (2) shall be applied without regard to subparagraph (B)."

(c) Qualified Business Income.—For purposes of this section—

"(1) In General.—The term ‘qualified business income’ means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer.

"(2) Definition of Losses.—If the net amount of qualified income, gain, deduction, and loss with respect to qualified trade or businesses of the taxpayer amount for any taxable year is less than zero, such amount shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

"(3) Qualified Items of Income, Gain, Deduction, and Loss.—For purposes of this subsection—

"(A) in General.—The term ‘qualified items of income, gain, deduction, and loss’ means items of income, gain, deduction, and loss to the extent such items are—

"(i) included or allowed in determining taxable income for the taxable year.

"(ii) included or allowed in determining taxable income for the taxable year.

"(B) Exceptions.—The following investment items shall not be taken into account as qualified item of income, gain, deduction, or loss:

(ii) any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term loss;

(ii) any dividend, income equivalent to a dividend, or payment in lieu of dividends described in section 954(c)(1)(G).

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

(iv) Any item of gain or loss described in subsection (C) or (D) of section 954(c)(1) (applied by substituting ‘qualified trade or business’ for ‘controlled foreign corporation’).

(v) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (ii) thereof and other than items attributable to a foreign corporation or for ‘Foreign Corporation’).

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

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

(4) Treatment of Reasonable Compensation and Guaranteed Payments.—Qualified business income shall not include—

"(A) reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business.

"(B) guaranteed payments described in section 707(a)(2) paid to a partner for services rendered with respect to the trade or business.

"(C) to the extent provided in regulations, any payment described in section 707(a) to a partner for services rendered with respect to the trade or business.

(5) Qualified Trade or Business.—For purposes of this section—

"(A) in General.—The term ‘qualified trade or business’ means any trade or business other than a specified service trade or business.

"(B) Specified Service Trade or Business.—

"(A) in General.—The term ‘specified service trade or business’ means any trade or business involving the performance of services described in section 1221(e)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

"(B) Franchise Exception.—Such term does not include any franchise or franchisee utilizing business format franchising as a franchisor or franchisee under part 436 of title 16, Code of Federal Regulations.

SA 1815. Mr. DAINES (for himself, Mrs. Ernst, Mr. LANKFORD, Mr. MORAN, Mrs. FISCHER, Mr. INHOFE, Mr. BLUNT, Mr. RICHARDSON, and Mr. Sasse) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. McCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

At the appropriate place in title I, insert the following:

SEC. 1. EXTENSION OF AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.

(a) In General.—Section 119(d) of division A of the Tax Relief and Health Care Act of 2006 is amended—

(1) by striking "January 1, 2023" each place it appears and inserting "January 1, 2023".

(2) by striking "first 11 taxable years" in paragraph (1) and inserting "first 17 taxable years".

(3) by striking "first 5 taxable years" in paragraph (2) and inserting "first 11 taxable years".

(b) Treatment of Certain References.—

Section 119(e) of division A of the Tax Relief and Health Care Act of 2006 is amended by adding at the end the following:

"(6) Franchise exception.—In the case of a taxpayer utilizing business format franchising under part 436 of title 16, Code of Federal Regulations, with respect to any qualified trade or business, paragraph (2) shall be applied without regard to subparagraph (B)."

(c) Qualified Business Income.—For purposes of this section—

"(1) In General.—The term ‘qualified business income’ means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer.

"(2) Definition of Losses.—If the net amount of qualified income, gain, deduction, and loss with respect to qualified trade or businesses of the taxpayer amount for any taxable year is less than zero, such amount shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

"(3) Qualified Items of Income, Gain, Deduction, and Loss.—For purposes of this subsection—

"(A) in General.—The term ‘qualified items of income, gain, deduction, and loss’ means items of income, gain, deduction, and loss to the extent such items are—

"(i) included or allowed in determining taxable income for the taxable year.

"(ii) included or allowed in determining taxable income for the taxable year.

"(B) Exceptions.—The following investment items shall not be taken into account as qualified item of income, gain, deduction, or loss:

(ii) any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term loss;

(ii) any dividend, income equivalent to a dividend, or payment in lieu of dividends described in section 954(c)(1)(G).

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

(iv) Any item of gain or loss described in subsection (C) or (D) of section 954(c)(1) (applied by substituting ‘qualified trade or business’ for ‘controlled foreign corporation’).

(v) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (ii) thereof and other than items attributable to a foreign corporation or for ‘Foreign Corporation’).

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

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

(4) Treatment of Reasonable Compensation and Guaranteed Payments.—Qualified business income shall not include—

"(A) reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business.

"(B) guaranteed payments described in section 707(a)(2) paid to a partner for services rendered with respect to the trade or business.

"(C) to the extent provided in regulations, any payment described in section 707(a) to a partner for services rendered with respect to the trade or business.

(5) Qualified Trade or Business.—For purposes of this section—

"(A) in General.—The term ‘qualified trade or business’ means any trade or business other than a specified service trade or business.

"(B) Specified Service Trade or Business.—

"(A) in General.—The term ‘specified service trade or business’ means any trade or business involving the performance of services described in section 1221(e)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

"(B) Franchise Exception.—Such term does not include any franchise or franchisee utilizing business format franchising as a franchisor or franchisee under part 436 of title 16, Code of Federal Regulations.
Beginning on page 43, strike line 16 and all that follows through page 45, line 20 and insert the following:

“(4) Partial credit allowed for certain other dependents.—

“(A) In general.—The credit determined under subsection (a) (after the application of paragraph (2) shall be increased by $500 for each eligible taxpayer (as defined in section 152(b)(3)) other than a qualifying child described in subsection (c).

“(B) Exception for certain noncitizens.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows from the United States Code.

“(5) Maximum amount of refundable credit.—

“(A) In general.—Subsection (d)(1)(B)(i) shall be applied without regard to paragraphs (2) and (4) of this subsection.

“(B) Adjustment for inflation.—In the case of a taxable year beginning after 2017, subsection (d)(1)(A) shall be applied as if the $1,000 amount in subsection (a) were increased (but not to exceed the amount under subsection (d)(1)(A) shall be applied as if the calendar year begins in a calendar year after 2017.

Any increase determined under the preceding sentence shall be rounded to the next highest multiple of $10.

“(6) Earned income threshold for refundable credit.—Subsection (d)(1)(B)(i) shall be applied by substituting ‘$2,500’ for $3,000.

“(7) Social security number required.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year.

For purposes of the preceding sentence, the term ‘social security number’ means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued to a citizen of the United States or is issued pursuant to section 205(c)(2)(B)(i) of the Social Security Act.

“(8) Credit allowed with respect to unborn children.—

“(A) In general.—The term ‘qualifying child’ includes an unborn child (as defined in section 152(b)(3)) with respect to the calendar year in which the child is born.

Any increase under the preceding paragraph shall be rounded to the next highest multiple of $10.

“(B) Double credit in case of children unable to claim credit.—In the case of any child born during a taxable year described in paragraph (1) who is not taken into account under subparagraph (A) for the taxable year in which the child is born, the amount of the credit determined under this section with respect to such child for the taxable year of the child’s birth shall be increased by 100 percent.

SA 1816. Mr. TOOMEY submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself) and Ms. MURKOWSKI) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

On page 456, between lines 2 and 3, insert the following:

“(E) Phase in of percentage used in determining excess progress.—In the case of any taxable year beginning after December 2022, the percentage of taxable income attributable to domestic production activities provided under this section shall be increased (but not to exceed the amount under subsection (d)(1)(A) shall be applied as if the calendar year begins in a calendar year after 2017.

Any increase determined under the preceding paragraph shall be rounded to the next highest multiple of $10.

“(F) Earned income threshold for refundable credit.—Subsection (d)(1)(B)(i) shall be applied by substituting ‘$2,500’ for $3,000.

“(G) Social security number required.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of this clause, a sale of property shall be treated as for a foreign use unless—

(a) the property is ultimately sold by a related party, or used by a related party in connection with property which is sold or the provision of services, to another person who is an unrelated party who is not a United States person, and

(b) the property is ultimately sold by a related party, or used by a related party in connection with property which is sold or the provision of services, to another person who is an unrelated party who is not a United States person, and

“(H) Tax on certain farmers’ cooperatives.—

“(1) In general.—Section 1361(b) is amended to read as follows:

“(b) Tax on certain farmers’ cooperatives.—An organization described in subsection (a)(1) shall be subject to the tax imposed by section 11(b), except that in the case of an organization eligible for a deduction under section 199 for the taxable year by reason of section (e), (b)(1) shall be applied by substituting ‘35 percent’ for ‘20 percent’.”.

SA 1819. Mr. HATCH submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself) and Ms. MURKOWSKI) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 440, strike lines 16 through 25, and insert the following:

“(A) by striking ‘and qualified cooperative dividends’ in subsection (b)(1)(B) thereof, and

(B) by striking paragraph (4) of subsection (e) thereof.

“(2) Effective date.—The amendments made by this section shall apply as if included in the amendments made by section 1101 of this Act.

SA 1818. Mr. ENZI submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself) and Ms. MURKOWSKI) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of subpart D of part VII of subtitle C of title I, add the following:

SEC. 1361. MODIFICATION OF RULES GOVERNING HARDSHIP DISTRIBUTIONS.

“(a) In general.—Not later than 1 year after the date of enactment of this Act, the Secretary of the Treasury shall modify Treasury Regulation section 1.402(k)(1)(iv)(E) (or that portion of subclause (I) (or that portion of subclause (I) that relates to subclause (I))) that relates to subclause (I) of section 402(k)(1)(iv)(E) of the Internal Revenue Code of 1986.

“(b) Effective date.—The revised regulations under this section shall apply to plan years beginning after December 31, 2017.

SA 1819. Mr. HATCH submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself) and Ms. MURKOWSKI) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 456, strike line 16 through 25, and insert the following:

“(A) by striking ‘and qualified cooperative dividends’ in subsection (b)(1)(B) thereof, and

(B) by striking paragraph (4) of subsection (e) thereof.

“(2) Effective date.—The amendments made by this section shall apply as if included in the amendments made by section 1101 of this Act.

SA 1818. Mr. ENZI submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself) and Ms. MURKOWSKI) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:
QUALIFIED EARLY EDUCATION EXPENSES.—

(1) CASH DISTRIBUTIONS FOLLOWING POST-
TERMINATION TRANSITION PERIOD.—

(2) ELIGIBLE TERMINATED S CORPORATION.—
For purposes of this subsection, the term ‘el-
igible terminated S corporation’ means any S
corporation—

(i) which—

(1) was an S corporation on the day before
the date of the enactment of the Tax Cuts and
Jobs Act; and

(2) during the 2-year period beginning on
the date of such enactment makes a revoca-
tion of its election under section 1362(a), and

(ii) the owners of the stock of which, de-
termined by such revocation is made, are the same owners (and in identical
proportions) as on the date of such en-
actment.

(b) EFFECTIVE DATE.—The amendments
made by this section shall apply to distribu-
tions after the date of the enactment of this Act.

SA 1821. Mr. GARDNER submitted an amend-
ment intended to be proposed to amendment
SA 1618 proposed by Mr. MCCONNELL (for Mr.
HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to pro-
able to amendment SA 1618 proposed by Mr.
HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to pro-

(b) LIMITED DISTRIBUTION ALLOWED FOR EL-
EMENTARY AND SECONDARY TUITION AND
QUALIFIED EARLY EDUCATION EXPENSES.—

(1) IN GENERAL.—Section 529(c) is amended
by adding at the end the following para-
graph:

(7) TREATMENT OF ELEMENTARY AND SEC-

(b) E FFECTIVE DATE.—The amendments
made by this section shall apply to distribu-
tions made after December 31, 2017.

SA 1823. Mr. INHOFE submitted an amend-
ment intended to be proposed to amend-
ment SA 1618 proposed by Mr. MCCONNELL (for Mr.
HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent res-
solution on the budget for fiscal year
2018; which was ordered to lie on the
table; as follows:

On page 187, strike line 15 and insert the following:

“(v) manufacturers making upgrades to comply with State or Federal environmental
regulations.

SA 1824. Mr. INHOFE submitted an amend-
ment intended to be proposed to amend-
ment SA 1618 proposed by Mr. MCCONNELL (for Mr.
HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent res-
solution on the budget for fiscal year
2018; which was ordered to lie on the
table; as follows:

On page 133, strike paragraph (7) and insert after paragraph (6) the following:

“(b) Limited Distribution Allowed for Ele-
mentary and Secondary Tuition and Qualified Early Education Expenses.—

(1) In General.—Section 529(c) is amended
by adding at the end the following para-
graph:

(7) TREATMENT OF ELEMENTARY AND SEC-

(c) ROLLOVERS FROM COVERDELL EDUCATION
SAVINGS ACCOUNTS TO QUALIFIED TUITION PRO-
GRAMS.—The amendments made by sub-
section (b) shall apply to distributions after
December 31, 2017.

SA 1822. Mr. GARDNER submitted an amend-
ment intended to be proposed to amend-
ment SA 1618 proposed by Mr. MCCONNELL (for Mr.
HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent res-
solution on the budget for fiscal year
2018; which was ordered to lie on the
table; as follows:

On page 187, strike line 15 and insert the following:

“(v) body of an elective cooperative; or

(b) TAX ON CERTAIN FARMERS’ COOPERA-
TIVE DIVIDENDS.—

(1) IN GENERAL.—Section 1181(f) is amended
by adding at the end the following para-
graph:

(7) TREATMENT OF ELEMENTARY AND SEC-

(b) EFFECTIVE DATE.—The amendments
made by this section shall apply to taxable
years beginning after December 31, 2018.

(c) REPEAL OF SPECIAL RULE FOR DEDU-
CTION FOR QUALIFIED COOPERATIVE DIVI-
DENDS.—

(1) IN GENERAL.—Section 1181(f) is amended
by adding at the end the following para-
graph:

(7) TREATMENT OF ELEMENTARY AND SEC-

(b) EFFECTIVE DATE.—The amendments
made by this section shall apply to taxable
years beginning after December 31, 2018.

(c) REPEAL OF SPECIAL RULE FOR DEDU-
CATION FOR QUALIFIED COOPERATIVE DIVI-
DENDS.—

(1) IN GENERAL.—Section 1181(f) is amended
by adding at the end the following para-
graph:

(7) TREATMENT OF ELEMENTARY AND SEC-

(b) EFFECTIVE DATE.—The amendments
made by this section shall apply to taxable
years beginning after December 31, 2018.
On page 254, strike lines 10 through 25 and insert the following:

SEC. 13517. COMPUTATION OF LIFE INSURANCE TAX RESERVES.

(a) In General—

(1) COMPUTATION OF RESERVES.—Section 807(c)(3) is amended to read as follows:

“(c) In General.—The items referred to in subsections (a) and (b) are as follows—

(1) the life insurance reserves (as defined in section 816(b)(2)),

(2) the unearned premiums and unpaid losses included in total reserves under section 816(c)(2),

(3) the amounts (discounted at the appropriate rate of interest) necessary to satisfy the obligations under insurance and annuity contracts, but only if such obligations do not involve the times with respect to which the computation is made under this paragraph) life, accident, or health contingencies,

(4) the dividend accumulations, and other amounts, held at interest in connection with insurance and annuity contracts.

(b) Premiums received in advance, and liabilities allocated to such premiums.

(6) Reasonable special contingency reserves under contracts of group term life insurance or group accident and health insurance shall be established and maintained for the provision of insurance on retired lives, for premium stabilization, or as a combination thereof.

For purposes of paragraph (3), the appropriate rate of interest is the highest rate or permitted to be used to discount the obligations of the National Association of Insurance Commissioners as of the date the reserve is determined. In no case shall the amount determined under paragraph (3) for any contract be less than the net surrender value of such contract. For purposes of paragraphs (2) and 805(a)(1), the amount of the unpaid losses (other than losses on life insurance contracts) shall be the amount of the discounted unpaid losses as defined in section 846.

(2) Paragraph 807(d) is amended—

(A) by striking paragraphs (1), (2), (4), and (5),

(B) by redesignating paragraph (6) as paragraph (5), and

(C) by inserting before paragraph (3) the following new paragraph:

“(1) DETERMINATION OF RESERVE.—

(A) For purposes of this part (other than section 816), the amount of the life insurance reserves for any contract (other than a contract to which subparagraph (B) applies) shall be the greater of—

(i) the net surrender value of such contract, or

(ii) 92.87 percent of the reserve determined under paragraph (2),

(B) VARIABLE CONTRACTS.—For purposes of this part (other than section 816), the amount of the life insurance reserves for any contract (other than a contract to which subparagraph (A) applies) shall be the greater of—

(i) the net surrender value of such contract, or

(ii) 92.87 percent of the reserve determined under paragraph (2),

(C) STATUTORY CAP.—In no event shall the reserves determined under subparagraphs (A) or (B) for any contract as of any time exceed the amount which would be taken into account with respect to such contract as of such time in determining statutory reserves (as determined under section 830(b)(2) over the amount in clause (1).

(2) AMOUNT OF RESERVE.—The amount of the reserve determined under this paragraph with respect to any contract shall be determined by using the tax reserve method applicable to such contract.

(D) by striking paragraph (6) and inserting—

“(D) by striking paragraph (6) and inserting—

(E) by striking “as of the issue date of the insurance or any” in paragraph (3)(A)(iv) and inserting as of the date the reserve is determined.

(F) by striking “in effect on the date of the issuance of the insurance” in paragraph (3)(B)(i) and inserting “as of the date of the issue date of the insurance or any” in paragraph (3)(B)(i) and inserting “as of the date the reserve is determined.

(2) Section 807(e) is amended—

(A) by striking paragraphs (2) and (5),

(B) by redesignating paragraphs (3), (4), (6), and (7) as paragraphs (2), (3), (4), and (5), respectively,

(2) by amending paragraph (2) (as so redesignated) to read as follows:

“(2) QUALIFIED SUPPLEMENTAL BENEFITS.—

“(A) QUALIFIED SUPPLEMENTAL BENEFITS TREATED SEPARATELY.—For purposes of this paragraph, when a reserve for any qualified supplemental benefit shall be computed separately as though such benefit were under a separate contract.

(B) QUANTITATIVE LIMITS.—For purposes of this paragraph, the supplemental benefits described in this subparagraph are any—

(i) guaranteed insurability,

(ii) accidental death or disability benefit,

(iii) convertibility,

(iv) disability waiver benefit, or

(v) other benefit prescribed by regulations which is supplemental to a contract for which there is a reserve described in subsection (c), and

(D) by adding at the end the following new paragraph:

“(H) REPORTING RULES.—The Secretary shall prescribe regulations (at such time and in such manner as the Secretary shall prescribe) with respect to the opening balance and closing balance of reserves and with respect to the method of computing reserves for purposes of determining income.

(4) Section 7702 is amended by adding at the end of the Internal Revenue Code of 1986 (as determined without regard to the amendments made by this section) such text and inserting “the interest rate in effect under section 808(b)(2)”.

(5) Paragraph (A) of section 846(f)(1) is amended by striking “except that” and all that follows and inserting “except that the limitation of subsection (a)(3) shall apply, and

(4) by amending paragraph (b) of section 844(f)(5) as amended by striking “shall apply, and”.

(E) EFFECTIVE DATE.—

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

(2) TRANSITION RULE.—For the first taxable year beginning after December 31, 2017, the reserves with respect to any contract shall be determined as of the beginning of the calendar year in which the contract was issued.

(3) TRANSITION RELIEF.—

(A) IN GENERAL.—If—

(i) the reserve determined under section 807(d)(2) of the Internal Revenue Code of 1986 (determined without regard to the amendments made by this section) with respect to any contract as of the close of the year preceding the tax year beginning after December 31, 2017, differs from the reserve which would have been determined with respect to such contract as of the close of such taxable year under such section determined without regard to paragraph (2) of this subsection, then the difference between the amount of the reserve described in clause (i) and the amount of the reserve described in clause (ii) shall be taken into account under the method provided in paragraph (B).

(B) METHOD.—The method provided in this subparagraph is as follows:

(i) If the amount determined under subparagraph (A)(i), 1/8 of such excess shall be taken into account, for each

least 26 States when the contract was issued. If the prevailing commissioners’ standard tables as of the beginning of any calendar year (hereinafter in this paragraph referred to as year of change) is less than the prevailing commissioners’ standard tables as of the beginning of the preceding calendar year, the issuer may use the prevailing commissioners’ standard tables as of the beginning of the preceding calendar year with respect to any contract issued after the change and before the close of the 3-year period beginning on the first day of the year of change.

(b) CONFORMING AMENDMENTS.—

(1) Section 808 is amended by adding at the end the following new subsection:

“(f) PREVAILING STATE ASSUMED INTEREST RATE.—For purposes of this chapter—

“(1) IN GENERAL.—The term ‘prevailing State assumed interest rate’ means, with respect to any contract, the highest assumed interest rate permitted to be used in computing life insurance reserves for insurance contracts or annuity contracts (as the case may be) under the insurance laws of at least 26 States.

For purposes of this sentence, the effect of nonforfeiture laws of a State on interest rates for reserves shall not be taken into account.

(2) RATE DETERMINED.—The prevailing State assumed interest rate with respect to any contract shall be determined as of the beginning of the calendar year in which the contract was issued.

(3) CONFORMING AMENDMENTS.—

(A) Section 846(f)(16) is amended by striking “except that” and all that follows and inserting “except that the limitation of subsection (a)(3) shall apply, and

(B) by amending paragraph (b) of section 844(f)(5) as amended by striking “shall apply, and”.

(E) EFFECTIVE DATE.—

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

(2) TRANSITION RULE.—For the first taxable year beginning after December 31, 2017, the reserves with respect to any contract as of the close of such taxable year shall be determined as if the amendments made by this section had applied to such reserve in such preceding taxable year.

(3) TRANSITION RELIEF.—

(A) IN GENERAL.—If—

(i) the reserve determined under section 807(d)(2) of the Internal Revenue Code of 1986 (determined without regard to the amendments made by this section) with respect to any contract as of the close of the year preceding the first taxable year beginning after December 31, 2017, differs from the reserve which would have been determined with respect to such contract as of the close of such taxable year under such section determined without regard to paragraph (2) of this subsection, then the difference between the amount of the reserve described in clause (i) and the amount of the reserve described in clause (ii) shall be taken into account under the method provided in paragraph (B).

(B) METHOD.—The method provided in this subparagraph is as follows:

(i) If the amount determined under subparagraph (A)(i), 1/8 of such excess shall be taken into account, for each

least 26 States when the contract was issued. If the prevailing commissioners’ standard tables as of the beginning of any calendar year (hereinafter in this paragraph referred to as year of change) is less than the prevailing commissioners’ standard tables as of the beginning of the preceding calendar year, the issuer may use the prevailing commissioners’ standard tables as of the beginning of the preceding calendar year with respect to any contract issued after the change and before the close of the 3-year period beginning on the first day of the year of change.”.
of the 8 succeeding taxable years, as a deduction under section 805(a)(2) or 832(c)(4) of such Code, as applicable.

(ii) If the amount determined under subparagraph (A) exceeds the amount determined under subparagraph (A)(i), 1/8 of such excess shall be included in gross income, for each of the 8 succeeding taxable years, under section 805(a)(2) or 832(b)(1)(C) of such Code, as applicable.

SEC. 13518. MODIFICATION OF RULES FOR LIFE INSURANCE PRORATION FOR PURPOSES OF DETERMINING THE DIVIDENDS RECEIVED DEDUCTION.

(a) In General.—Section 812 is amended to read as follows:

"SEC. 812. DEFINITION OF COMPANY'S SHARE AND POLICYHOLDER'S SHARE.

"(a) COMPANY'S SHARE.—For purposes of section 807(d)(2)(B), the term 'company's share' means, with respect to any taxable year beginning after December 31, 2017, 70 percent.

"(b) POLICYHOLDER'S SHARE.—For purposes of section 807, the term 'policyholder's share' means, with respect to any taxable year beginning after December 31, 2017, 30 percent.

(b) CONFORMING AMENDMENT.—Section 817(a)(2) is amended by striking "807(d)(2)(B), and 812" and inserting "and 817(d)(2)(B)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13519. CAPITALIZATION OF CERTAIN POLICY ACQUISITION EXPENSES.

(a) In General.—(1) Section 846(a)(2) is amended by striking "120-month" and inserting "180-month".

(2) Section 846(c)(1) is amended by striking "1.75 percent" and inserting "2.1 percent".

(3) Section 846(c)(2) is amended by striking "2.05 percent" and inserting "2.46 percent".

(4) Section 846(c)(3) is amended by striking "2.7 percent" and inserting "2.9 percent".

(b) CONFORMING AMENDMENTS.—Section 848(b)(1) is amended by striking "120-month" and inserting "180-month".

(c) EFFECTIVE DATE.—(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) TRANSITION RULE.—Specified policy acquisition expenses first required to be capitalized in a taxable year beginning before January 1, 2018, may continue to be treated as a deduction ratable over the 120-month period beginning with the first month in the second half of such taxable year.

SA 1827. Mr. BURR submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

At the end of part IV of subtitle C of title 31, United States Code, is amended by inserting "section 36C," after "36B,"

beginning on page 104, strike line 15 and all that follows through page 112, line 12 and insert the following:

Subtitle B—Permanent Individual Income Tax Relief for Middle Class

SEC. 12001. AMENDMENT OF INCOME TAX BRACKETS.

(a) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The table contained in subsection (a) of section 1 is amended to read as follows:

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.
If taxable income is:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $77,400 but not over $100,000</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $104,000 but not over $130,000</td>
<td>24% of the excess over $104,000</td>
</tr>
<tr>
<td>Over $130,000 but not over $160,000</td>
<td>32% of the excess over $130,000</td>
</tr>
<tr>
<td>Over $160,000 but not over $200,000</td>
<td>35% of the excess over $160,000</td>
</tr>
<tr>
<td>Over $200,000 but not over $380,050</td>
<td>39.6% of the excess over $200,000</td>
</tr>
<tr>
<td>Over $380,050</td>
<td>39.6% of the excess over $380,050</td>
</tr>
</tbody>
</table>

(b) Heads of Households.—The table contained in subsection (b) of section 1 is amended to read as follows:

If taxable income is:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $13,600</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $13,600 but not over $51,800</td>
<td>24% of the excess over $13,600</td>
</tr>
<tr>
<td>Over $51,800 but not over $70,000</td>
<td>35% of the excess over $51,800</td>
</tr>
<tr>
<td>Over $70,000 but not over $160,000</td>
<td>39% of the excess over $70,000</td>
</tr>
<tr>
<td>Over $160,000 but not over $200,000</td>
<td>39% of the excess over $160,000</td>
</tr>
<tr>
<td>Over $200,000 but not over $280,000</td>
<td>35% of the excess over $200,000</td>
</tr>
<tr>
<td>Over $280,000 but not over $435,350</td>
<td>30% of the excess over $280,000</td>
</tr>
<tr>
<td>Over $435,350</td>
<td>24% of the excess over $435,350</td>
</tr>
</tbody>
</table>

(c) Unmarried Individuals Other Than Surviving Spouses and Heads of Households.—The table contained in subsection (c) of section 1 is amended to read as follows:

If taxable income is:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $3,650</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $3,650 but not over $9,525</td>
<td>24% of the excess over $3,650</td>
</tr>
<tr>
<td>Over $9,525 but not over $13,700</td>
<td>32% of the excess over $9,525</td>
</tr>
<tr>
<td>Over $13,700 but not over $16,000</td>
<td>32% of the excess over $13,700</td>
</tr>
<tr>
<td>Over $16,000 but not over $280,000</td>
<td>32% of the excess over $16,000</td>
</tr>
<tr>
<td>Over $280,000 but not over $380,000</td>
<td>32% of the excess over $280,000</td>
</tr>
<tr>
<td>Over $380,000 but not over $476,700</td>
<td>32% of the excess over $380,000</td>
</tr>
</tbody>
</table>

(d) Married Individuals Filing Separate Returns.—The table contained in subsection (d) of section 1 is amended to read as follows:

If taxable income is:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $9,525</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $9,525 but not over $13,700</td>
<td>24% of the excess over $9,525</td>
</tr>
<tr>
<td>Over $13,700 but not over $38,700</td>
<td>32% of the excess over $13,700</td>
</tr>
<tr>
<td>Over $38,700 but not over $70,000</td>
<td>32% of the excess over $38,700</td>
</tr>
<tr>
<td>Over $70,000 but not over $160,000</td>
<td>32% of the excess over $70,000</td>
</tr>
<tr>
<td>Over $160,000 but not over $200,000</td>
<td>32% of the excess over $160,000</td>
</tr>
<tr>
<td>Over $200,000 but not over $280,000</td>
<td>30% of the excess over $200,000</td>
</tr>
<tr>
<td>Over $280,000 but not over $380,000</td>
<td>30% of the excess over $280,000</td>
</tr>
<tr>
<td>Over $380,000 but not over $476,700</td>
<td>30% of the excess over $380,000</td>
</tr>
</tbody>
</table>

(e) Estates and Trusts.—The table contained in subsection (e) of section 1 is amended to read as follows:

If taxable income is:

<table>
<thead>
<tr>
<th>Taxable Income Range</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $2,550</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $2,550 but not over $9,150</td>
<td>24% of the excess over $2,550</td>
</tr>
<tr>
<td>Over $9,150 but not over $12,700</td>
<td>24% of the excess over $9,150</td>
</tr>
<tr>
<td>Over $12,700</td>
<td>24% of the excess over $12,700</td>
</tr>
</tbody>
</table>

(f) Inflation Adjustment.—The amendment made by this Act, and the amendment made by subsection (c)(2)(A), as amended by this Act, is amended by striking ‘‘1992’’ and inserting ‘‘2017’’.
and ending at the close of the 10th calendar year beginning on or after such date of designation.

SEC. 14002-2. SPECIAL RULES FOR CAPITAL GAINS INVESTED IN OPPORTUNITY ZONES.

(a) In General.—In the case of gain from the sale or exchange of, with, an unrelated person of any property held by the taxpayer, at the election of the taxpayer—

(1) gross income for the taxable year shall not include so much of such gain as does not exceed the aggregate amount invested by the taxpayer in a qualified opportunity fund during the 180-day period beginning on the date of such investment—

(2) the amount of gain excluded by paragraph (1) shall be included in gross income as provided by subsection (b), and

(b) Special Rule.—For purposes of subparagraph (A), tangible property that ceases to be a qualified opportunity zone business property shall continue to be treated as a qualified opportunity zone business property for the lesser of—

(1) 5 years after the date on which such tangible property ceases to be so qualified, or

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

(c) Applicable Rules.—

(1) Treatment of Investments with Mixed Funds.—In the case of any investment in a qualified opportunity fund only a portion of which consists of investments of gain to which an election under subsection (a)(1) 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)(1) 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), determined by substituting ‘20 percent’ for ‘50 percent’ each place it occurs in such sections.

(3) Deemed.—In the case of a decedent, amounts recognized under this section shall, if not properly includible in the gross income of the decedent, be includible in gross income as provided by section 691.

(d) Regulations.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including—

(1) rules for the certification of qualified opportunity funds for the purposes of this section, and

(2) rules to prevent abuses.

(f) Failure of Qualified Opportunity Fund to Maintain Investment Standard.—

(1) In General.—If a qualified opportunity fund fails to meet the 90-percent requirement of subsection (c)(1), the qualified opportunity fund shall pay a penalty for each month it fails to meet the requirement in an amount equal to the product of—

(A) the excess of—

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

(ii) the aggregate amount of qualified opportunity zone property held by the fund, multiplied by

(B) the underpayment rate established for the determination of such penalty.

(2) Special Rule for Partnerships.—In the case that the qualified opportunity fund is a partnership, the penalty imposed by paragraph (1) shall be taken into account proportionately as part of the distributive share of each partner of the partnership.

(3) Reasonable Cause Exception.—No penalty shall be imposed under this subsection with respect to a failure if it is shown that such failure is due to reasonable cause.
SA 1834. Mr. BENNET submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. McCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. 4. INVESTMENT CREDIT FOR ELECTRIC GRID SECURITY AND MODERNIZATION PROPERTY.

(a) IN GENERAL.—Section 48(a)(3)(A) is amended by adding, at the end of clause (vi), by inserting ''or'' at the end of clause (vi), and by adding at the end the following new clause:

''(vii) grid security and modernization property.''

(b) RATE OF CREDIT.—Section 48(a)(2)(A) is amended—

(1) by striking ''and'' at the end of clause (i)(IV);

(2) by redesignating clause (ii) as clause (iii); and

(3) by inserting after clause (i) the following new clause:

''(iii) in the case of grid security and modernization property—

(1) 1 percent for the taxable year beginning after December 31, 2019, and ending before January 1, 2021;

(2) 2 percent for the taxable year beginning after December 31, 2020, and ending before January 1, 2022, and

(3) 3 percent for taxable years beginning after December 31, 2021, and''.

(c) GRID SECURITY AND MODERNIZATION PROPERTY.—

(1) IN GENERAL.—Section 48(c) is amended by adding at the end the following new paragraph:

''(5) GRID SECURITY AND MODERNIZATION PROPERTY.—

''(A) IN GENERAL.—The term 'grid security and modernization property' means any qualified software, qualified automated distribution device, advanced voltage control system, advanced metering property, and advanced and secure transmission system technologies.

''(B) QUALIFIED SOFTWARE.—The term 'qualified software' means any software which—

(i) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,

(ii) is developed with information assurance techniques to support encrypted communication, attributed identity, and non-repudiation, and

(iii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(C) QUALIFIED AUTOMATED DISTRIBUTION DEVICE.—The term 'qualified automated distribution device' means any automated device which—

(i) is used for distributing electricity through the electric grid, including property integral to local or centralized control systems, such as distribution sensors, communication security equipment (including communication encryption devices), automated switches, automated threat detection and remediation devices, distributed devices, smart inverters, and other property used to coordinate and control devices across the system, and

(ii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(D) ADVANCED VOLTAGE CONTROL SYSTEM TECHNOLOGIES.—The term 'advanced voltage control system' means any property which—

(i) is used to provide accurate and dynamic voltage control, including voltage regulators, capacitors, switches, automated threat detection and remediation devices, smart inverters, and other property used to coordinate and control devices across the system, and

(ii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(E) ADVANCED METERING INFRASTRUCTURE.—The term 'advanced metering infrastructure' means any property which—

(i) is used to provide accurate and dynamic voltage control, including voltage regulators, capacitors, switches, automated threat detection and remediation devices, smart inverters, and other property used to coordinate and control devices across the system, and

(ii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(F) ADVANCED AND SECURE TRANSMISSION SYSTEM TECHNOLOGIES.—The term 'advanced and secure transmission system technologies' means any property which—

(i) is used to provide accurate and dynamic voltage control, including voltage regulators, capacitors, switches, automated threat detection and remediation devices, smart inverters, and other property used to coordinate and control devices across the system, and

(ii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(G) GRID SECURITY AND MODERNIZATION PROPERTY.—

(i) is used for distributing electricity through the electric grid, including property integral to local or centralized control systems, such as distribution sensors, communication security equipment (including communication encryption devices), automated switches, automated threat detection and remediation devices, smart inverters, and other property used to coordinate and control devices across the system, and

(ii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(H) INCREASED RATE FOR CERTAIN BANKS.—

(i) The term 'qualified software' means any software which—

(ii) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,

(iii) is developed with information assurance techniques to support encrypted communication, attributed identity, and non-repudiation, and

(iv) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(I) ALTERNATIVE METERING INFRASTRUCTURE.—The term 'alternative metering infrastructure' means any property which—

(i) is used for distributing electricity through the electric grid, including property integral to local or centralized control systems, such as distribution sensors, communication security equipment (including communication encryption devices), automated switches, automated threat detection and remediation devices, smart inverters, and other property used to coordinate and control devices across the system, and

(ii) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(J) INCREASED RATE FOR CERTAIN BANKS.—

(i) The term 'qualified software' means any software which—

(ii) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,

(iii) is developed with information assurance techniques to support encrypted communication, attributed identity, and non-repudiation, and

(iv) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(K) INCREASED RATE FOR CERTAIN BANKS.—

(i) The term 'qualified software' means any software which—

(ii) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,

(iii) is developed with information assurance techniques to support encrypted communication, attributed identity, and non-repudiation, and

(iv) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(L) INCREASED RATE FOR CERTAIN BANKS.—

(i) The term 'qualified software' means any software which—

(ii) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,

(iii) is developed with information assurance techniques to support encrypted communication, attributed identity, and non-repudiation, and

(iv) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(M) INCREASED RATE FOR CERTAIN BANKS.—

(i) The term 'qualified software' means any software which—

(ii) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,

(iii) is developed with information assurance techniques to support encrypted communication, attributed identity, and non-repudiation, and

(iv) is approved for purposes of this section by the Secretary (in consultation with the Secretary of Energy).

''(N) INCREASED RATE FOR CERTAIN BANKS.—

(i) The term 'qualified software' means any software which—

(ii) is used to optimize efficiency or connectivity of the electrical grid, including detailed electrical models, modeling and simulation tools, distributed energy resource management systems used to control local generation and storage, and advanced distribution management systems used as the software platform to provide core system functions such as fault location, isolation, and service restoration, voltage optimization, automatic taxonomies,
SA 1837. Mr. INHOFE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. HATCH (for Mr. MCCONNELL (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018, which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. 11030. EXTENSION OF CARRYOVER PERIOD FOR ADOPTION TAX CREDIT.

(a) IN GENERAL.—Section 222(c)(2)(A)(ii) of the Internal Revenue Code of 1986 (as amended by section 14411 of H.R. 1) is amended by striking "25%" and inserting "20%".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1838. Mr. SASSE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. McCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the appropriate place, insert the following:

SEC. 17015. DETERMINATION OF AMOUNT OF SCIENTIFIC AND TECHNICAL INNOVATION EXPENSES.

(a) IN GENERAL.—Section 4042 of title II of the American Innovation Act is amended by striking "40%" and inserting "50%".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1839. Mr. INHOFE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. McCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

At the end of part III of subtitle A of title 1, insert the following:

SEC. 11609. EXTENSION OF CARRYOVER PERIOD FOR ADOPTION TAX CREDIT.

(a) IN GENERAL.—Section 222(c)(2)(A) of the Internal Revenue Code of 1986 (as amended by section 14411 of H.R. 1) is amended by striking "20%" and inserting "15%".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SA 1840. Mr. INHOFE (for himself and Mr. LANKFORD) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr.
Title I

SECTION 1.1001. SHORT TITLE, ETC.

(a) SHORT TITLE.—This title may be cited as the "Tax Cuts and Jobs Act".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference is to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.

(a) In General.—Section 1 is amended by adding at the end the following new subsection:

"(j) MODIFICATIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—

"(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026——

"(A) subsection (i) shall not apply, and

"(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (7).

"(2) RATE TABLES.—

"(A) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The following table shall be applied in lieu of the table contained in subsection (a):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $12,600</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>More than $12,600 but not over $24,500</td>
<td>12% of taxable income.</td>
</tr>
<tr>
<td>More than $24,500 but not over $32,600</td>
<td>22% of taxable income.</td>
</tr>
<tr>
<td>More than $32,600 but not over $41,600</td>
<td>24% of taxable income.</td>
</tr>
<tr>
<td>More than $41,600 but not over $50,600</td>
<td>32% of taxable income.</td>
</tr>
<tr>
<td>More than $50,600</td>
<td>35% of taxable income.</td>
</tr>
</tbody>
</table>

"(B) HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (a):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $31,100</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>More than $31,100 but not over $49,400</td>
<td>12% of taxable income.</td>
</tr>
<tr>
<td>More than $49,400 but not over $61,900</td>
<td>22% of taxable income.</td>
</tr>
<tr>
<td>More than $61,900 but not over $75,900</td>
<td>24% of taxable income.</td>
</tr>
<tr>
<td>More than $75,900 but not over $92,900</td>
<td>32% of taxable income.</td>
</tr>
<tr>
<td>More than $92,900</td>
<td>35% of taxable income.</td>
</tr>
</tbody>
</table>

"(C) UNMARRIED INDIVIDUALS OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (a):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $12,600</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>More than $12,600 but not over $24,500</td>
<td>12% of taxable income.</td>
</tr>
<tr>
<td>More than $24,500 but not over $32,600</td>
<td>22% of taxable income.</td>
</tr>
<tr>
<td>More than $32,600 but not over $41,600</td>
<td>24% of taxable income.</td>
</tr>
<tr>
<td>More than $41,600 but not over $50,600</td>
<td>32% of taxable income.</td>
</tr>
<tr>
<td>More than $50,600</td>
<td>35% of taxable income.</td>
</tr>
</tbody>
</table>

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference is to be made to a section or other provision of the Internal Revenue Code of 1986.
(C) COORDINATION WITH CAPITAL GAINS RATES.—For purposes of applying section 1(h) (after the modifications under paragraph (5))—

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

(1) the earned taxable income of such child, plus

(II) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

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

(1) the earned taxable income of such child, plus

(II) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year.

D. EARNED TAXABLE INCOME.—For purposes of this paragraph, the term ‘earned taxable income’ means, with respect to any child not under the taxable year, the taxable income of such child reduced (but not below zero) by the net unearned income (as defined in subsection (g)(4)(A)) of such child.

5. MINING ELIGIBILITY FOR CERTAIN TAX BENEFITS WITH RESPECT TO HEAD OF HOUSEHOLD—

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

(i) by substituting ‘ below the maximum zero rate amount’ for ‘ which would (without regard to this paragraph) be taxed at a rate below 25 percent in subparagraph (B)(i), and

(ii) by substituting ‘below the maximum 15-percent rate amount’ for ‘ which would (without regard to this paragraph) be taxed at a rate below 39.6 percent’ in subparagraph (B)(i).

(B) AMOUNTS DEFINED.—For purposes of applying section 1(h)(1) with the modifications described in subparagraph (A)—

(I) MAXIMUM ZERO RATE AMOUNT.—The maximum zero rate amount shall be—

(I) in the case of a joint return or surviving spouse, $77,000 ( 1⁄2 such amount in the case of a married individual filing a separate return),

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

(III) in the case of any other individual (other than an estate or trust), an amount equal to 1⁄2 of the amount in effect for the taxable year under clause (I), and

(IV) in the case of an estate or trust, $2,600.

(II) MAXIMUM 15-PERCENT RATE AMOUNT.—The maximum 15-percent rate amount shall be—

(I) in the case of a joint return or surviving spouse, $77,000 ( 1⁄2 such amount in the case of a married individual filing a separate return),

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

(III) in the case of any other individual (other than an estate or trust), an amount equal to 1⁄2 of the amount in effect for the taxable year under clause (I), and

(IV) in the case of an estate or trust, $2,600.

C. ENFORCEMENT ADJUSTMENT.—In the case of any taxable year beginning after 2018, each of the dollar amounts in clauses (i) and (ii) of subparagraph (B) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under subsection (f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

D. DETERMINATION FOR CALENDAR YEAR.—The C-CPI-U for calendar year is the average of the C-CPI-U as of the close of the 12-month period ending on August 31 of such calendar year.

E. APPLICATION TO PERMANENT TAX PREPARER REQUIREMENT WITH RESPECT TO HEAD OF HOUSEHOLD FILING STATUS.—Subsection (g) of section 6096 is amended to read as follows:

(g) FAILURE TO BE DELIGENT IN DETERMINING ELIGIBILITY FOR CERTAIN TAX BENEFITS.—Any person who is a tax return preparer with respect to any return or claim for refund who fails to comply with due diligence requirements imposed by the Secretary by regulations with respect to determining—

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

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

F. EFFECTIVE DATE.—The amendments by this section shall apply to taxable years beginning after December 31, 2017.
"(11) MEDICAL CARE COST ADJUSTMENT.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the percentage (if any) by which—

(1) any increase in component of the CPI-U (as defined in section 1(f)(6)) for August of the preceding calendar year, exceeds

(2) such increase shall be increased to the nearest multiple of $100 (or, if such increase is a multiple of $50, the nearest multiple of $50).

(12) Section 6039F(d) is amended by striking ""subparagraph (B) thereof shall be applied by substituting '1995' for '2016' in subparagraph (A)(ii)"".

(13) Paragraph (2) of section 1274A(d) is amended to read as follows:

(2) ADJUSTMENT FOR INFLATION.—In the case of any debt instrument arising out of a sale or exchange during any calendar year after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to—

(A) such amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such sale or exchange begins by substituting "calendar year 1988" for "calendar year 2016" in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $50).

(14) Section 4161(b)(2)(D)(ii) is amended by striking "'1992'" and inserting "'1995'".

(15) Paragraph (2) of section 1274A(d) is amended to read as follows:

(2) ADJUSTMENT FOR INFLATION.—In the case of any debt instrument arising out of a sale or exchange during any calendar year after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to—

(A) such amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such sale or exchange begins by substituting "calendar year 1988" for "calendar year 2016" in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $50).

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART II.—DEDUCTION FOR QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES

SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES

(a) In General.—Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section:

"SEC. 199A. QUALIFIED BUSINESS INCOME.

"(a) In General.—In the case of a taxpayer other than a corporation, there shall be allowed as a deduction for any taxable year an amount which is the lesser of:

(1) the combined qualified business income amount of the taxpayer, or

(2) an amount equal to 17.4 percent of the excess (if any) of:

(A) the taxable income of the taxpayer for the taxable year, over

(B) any item of income, gain, deduction, or loss described in section 954(c)(1)(G).

"(b) COMBINED QUALIFIED BUSINESS INCOME AMOUNT.—For purposes of this section—

(1) IN GENERAL.—The term 'combined qualified business income amount' means, with respect to any taxable year, an amount equal to—

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

(B) 17.4 percent of the aggregate amount of the qualified REIT dividends and qualified cooperative dividends of the taxpayer for the taxable year.

(2) DETERMINATION OF DEDUCTIBLE AMOUNT FOR EACH TRADE OR BUSINESS.—The amount determined under this paragraph with respect to any qualified trade or business is the lesser of—

(A) 17.4 percent of the taxpayer's qualified business income with respect to the qualified trade or business, or

(B) $50,000 ($100,000 in the case of a joint return), and

(3) MODIFICATION OF THE WAGE LIMIT BASED ON TAXABLE INCOME.—

(I) IN GENERAL.—If—

(1) the taxable income of the taxpayer for the taxable year exceeds the threshold amount, bears to

(2) the amount determined under paragraph (2) for each qualified trade or business carried on by the taxpayer, plus

(3) the aggregate amount of the qualified REIT dividends and qualified cooperative dividends of the taxpayer for the taxable year.

(II) AMOUNT OF REDUCTION.—The amount determined under this subparagraph is the amount which bears the same ratio to the excess amount as—

(1) the amount by which the taxpayer's taxable income for the taxable year exceeds the threshold amount, bears to

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

(III) EXCESS AMOUNT.—For purposes of clause (I), the excess amount is the excess of—

(A) the amount determined under paragraph (2)(A) (determined without regard to this paragraph), over

(B) the amount determined under paragraph (2)(B) (determined without regard to this paragraph).

(4) WAGES, ETC.—

(I) IN GENERAL.—The term 'W-2 wages' means, with respect to any person for any taxable year of such person, the amounts described in clauses (1) and (2) of section 6051(a)(12)(G) paid by the person with respect to employment of employees by such person during the calendar year ending during such taxable year.

(II) DEDUCTION FOR WAGES ATTRIBUTABLE TO QUALIFIED BUSINESS INCOME.—Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c)(1).

(5) RETURN REQUIREMENT.—Such term shall not include any amount which is not properly included in the return of a person with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.

(6) ACQUISITIONS, DISPOSITIONS, AND SHORT TAXABLE YEARS.—The Secretary shall provide for the application of this subsection in cases of a short taxable year or where the taxpayer has dispositions, or sections, of a major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer.

(7) QUALIFIED BUSINESS INCOME.—For purposes of this section—

(I) IN GENERAL.—The term 'qualified business income' means, with respect to any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer.

(II) included or allowed in determining taxable income for the taxable year.

(III) QUALIFIED ITEMS OF INCOME, GAIN, DE- DUCTIO AND LOSS.—For purposes of this subsection—

(I) IN GENERAL.—The term 'qualified items of income, gain, deduction, and loss' means items of income, gain, deduction, and loss to the extent such items are—

(A) effectively connected with the conduct of a trade or business within the United States (within the meaning of section 864(c)), determined by substituting 'qualified trade or business' for 'trade or business' for purposes of this section

(B) for 'nonresident alien individual or a foreign corporation' for 'a foreign corporation' each place it appears), and

(II) included or allowed in determining taxable income for the taxable year.

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

(A) Any item of short-term capital gain, small business capital gain, or long-term capital gain.

(B) Any dividend, income equivalent to a dividend, or payment in lieu of dividends de- scribed in section 954(c)(1)(C).

(C) Any interest income other than inter- est income which is properly allocable to a trade or business.

(D) Any item of gain or loss described in subparagraph (C) or (D) of section 954(c)(1) (applied by substituting 'qualified trade or business' for 'controlled foreign corpora- tion')

(E) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (vi) thereof and other than items attributable to notional principal contracts entered into in transactions qualifying under section 1221(a)(7)).

(F) Any amount received from an annuity which is not received in connection with the trade or business.

(G) Any item of deduction or loss prop- erly allocable to an account described in any of the preceding clauses.

(H) TREATMENT OF REASONABLE COMPENSA- TION AND GUARANTEED PAYMENTS.—Qualified business income shall not include any amount which is compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business.

(I) Any guaranteed payment described in section 707(c) paid to a partner for services..."
rendered with respect to the trade or business, and
"(c) to the extent provided in regulations, any payment described in section 707(a) to a partner shall be rendered with respect to the trade or business.

(d) QUALIFIED TRADE OR BUSINESS.—For purposes of this section—
"(1) IN GENERAL.—The term 'qualified trade or business' means any trade or business other than a specified service trade or business.

"(2) SPECIFIED SERVICE TRADE OR BUSINESS.—
"(A) IN GENERAL.—The term 'specified service trade or business' means—
"(i) any trade or business involving the performance of services described in section 194(c)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(c)(2)).

"(B) OTHER DEFINITIONS.—For purposes of section 199A—
"(i) IN GENERAL.—The term 'qualified trade or business conducted in Puerto Rico' means—
"(I) IN GENERAL.—The term 'qualified trade or business conducted in Puerto Rico' means—
"(ii) any trade or business involving the performance of services described in section 194(c)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(c)(2)).

"(C) A residence or a place of business in Puerto Rico is located in—
"(D) the Commonwealth of Puerto Rico.

"(3) EXCESS BUSINESS INCOME DEDUCTION.—In the case of any trade or business described in clause (i), the term 'United States' shall include—
"(A) the Commonwealth of Puerto Rico.

"(B) the possession of Puerto Rico.

"(C) any deduction allowable under section 199A.

"(D) Income from sources within the commonwealth of Puerto Rico, all such income is taxable under section 1 for such taxable year, then for purposes of determining the qualified business income of such taxpayer for such taxable year, the term 'United States' shall include the Commonwealth of Puerto Rico.

"(E) APPLICATION OF WAGE LIMIT.—In the case of any taxpayer described in paragraph (1), the term 'W-2 wages' means—
"(I) the aggregate gross income or gain of such trade or business for the taxable year,

"(II) the aggregate gross income or gain of such trade or business for any taxable year prior to the taxable year described in paragraph (1).

"(F) APPLICATION TO TRUSTS AND ESTATES.—This section shall not apply to any trust or estate.

"(G) TREATMENT OF TRADES OR BUSINESS IN PUERTO RICO.—
"(1) IN GENERAL.—In the case of any taxpayer described in paragraph (1), the term 'W-2 wages' means—
"(i) the aggregate gross income or gain of such trade or business for the taxable year,

"(ii) the aggregate gross income or gain of such trade or business for any taxable year prior to the taxable year described in paragraph (1).

"(2) DISALLOWED LOSS CARRYOVER.—Any loss which is disallowed under paragraph (1) may be carried over to the following taxable year under section 199A.

"(3) COORDINATION WITH MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, qualified business income shall be determined without regard to any adjustments under sections 56 through 58.

"(4) LIMITATION ON CREDIT TO INCOME TAXES.—The deduction under subsection (a) shall only be allowed for purposes of this chapter.

"(5) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including regulations—
"(A) for requiring or restricting the allocation of items of income, gain, deduction, or loss; and

"(B) for the application of this section in the case of tiers of cooperatives governed by a single tax-exempt organization.

"(C) APPLICATION OF APPLICABLE PERCENTAGE.—Section 6662(d)(1) is amended by inserting at the end the following new clause:

"(D) SPECIAL RULE FOR TAXPAYERS CLAIMING SECTION 199A DEDUCTION.—In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable year, subparagraph (A) shall be applied by substituting '5 percent' for '10 percent'.

"(E) CONFORMING AMENDMENTS.—
"(1) Section 170(b)(2)(D) is amended by striking "and," and "and" at the end of clause (iv), by redesignating clause (v) as clause (vi), and by striking after clause (iv) the following new clause:

"(v) section 199A, and.

"(2) Section 172(d) is amended by adding at the end the following new subsection:

"(8) QUALIFIED BUSINESS INCOME DEDUCTION.—The deduction under section 199A shall not be allowed.

"(3) Section 246(b)(1) is amended by inserting "199A", before "263(a)(1)".

"(4) Section 613(a) is amended by inserting "and without the deduction under section 199A", after "and without the deduction under section 199A".

"(5) Section 613(d)(1) is amended by redesignating subparts (C), (D), and (E) as subparts (D), (E), and (F), respectively, and by inserting after subparagraph (B), the following new subparagraph:

"(C) any deduction allowable under section 199A.

"(6) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting at the end the following new item:

"SEC. 199A. QUALIFIED BUSINESS INCOME DEDUCTION.

"(a) IN GENERAL.—Section 661 is amended by adding at the end the following new subsection:

"(b) ACCURACY-RELATED PENALTY ON DETERMINATION OF APPLICABLE PERCENTAGE.—Sec. 199A. QUALIFIED BUSINESS INCOME DEDUCTION.

"(i) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

"(1) the aggregate gross income or gain of such trade or business for the taxable year, minus

"(2) the aggregate gross income or gain of such trade or business for the taxable year, minus

"(3) any excluded deduction under section 199A.

"(4) LIMITATION.—In the case of a taxpayer other than a corporation beginning after December 31, 2017, and before January 1, 2026—

"(A) subsection (j) (relating to limitation on excess farm losses of certain taxpayers) shall not apply, and

"(B) any excess business loss of the taxpayer for the taxable year shall not be allowed.

"(2) DISALLOWED LOSS CARRYOVER.—Any loss which is disallowed under paragraph (1) shall be treated as a non-corporate loss carryover to the following taxable year under section 172.

"(3) EXCESS BUSINESS LOSSES.—For purposes of this section—

"(A) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

"(i) the aggregate deductions of the taxpayer for the taxable year which are attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)), over

"(ii) the sum of—

"(I) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

"(II) $250,000 (200 percent of such amount in the case of a joint return).

"(5) LIMITATION.—In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable year, subparagraph (A) shall be applied by substituting '5 percent' for '10 percent'.

"(F) ACCURACY-RELATED PENALTY ON DETERMINATION OF APPLICABLE PERCENTAGE.—Section 6662(d)(1) is amended by inserting at the end the following new clause:

"(C) SPECIAL RULE FOR TAXPAYERS CLAIMING SECTION 199A DEDUCTION.—In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable year, subparagraph (A) shall be applied by substituting '5 percent' for '10 percent'.

"(G) CONFORMING AMENDMENTS.—

"(1) Section 170(b)(2)(D) is amended by striking "and," and "and" at the end of clause (iv), by redesignating clause (v) as clause (vi), and by striking after clause (iv) the following new clause:

"(v) section 199A, and.

"(2) Section 172(d) is amended by adding at the end the following new subsection:

"(8) QUALIFIED BUSINESS INCOME DEDUCTION.—The deduction under section 199A shall not be allowed.

"(3) Section 246(b)(1) is amended by inserting "199A", before "263(a)(1)".

"(4) Section 613(a) is amended by inserting "and without the deduction under section 199A", after "and without the deduction under section 199A".

"(5) Section 613(d)(1) is amended by redesignating subparts (C), (D), and (E) as subparts (D), (E), and (F), respectively, and by inserting after subparagraph (B), the following new subparagraph:

"(C) any deduction allowable under section 199A.

"(6) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting at the end the following new item:

"SEC. 199A. QUALIFIED BUSINESS INCOME DEDUCTION.

"(a) IN GENERAL.—Section 661 is amended by adding at the end the following new subsection:

"(b) ACCURACY-RELATED PENALTY ON DETERMINATION OF APPLICABLE PERCENTAGE.—Sec. 199A. QUALIFIED BUSINESS INCOME DEDUCTION.

"(i) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

"(1) the aggregate deductions of the taxpayer for the taxable year which are attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)), over

"(ii) the sum of—

"(I) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

"(II) $250,000 (200 percent of such amount in the case of a joint return).

"(3) EXCESS BUSINESS LOSSES.—For purposes of this section—

"(A) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

"(i) the aggregate deductions of the taxpayer for the taxable year which are attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)), over

"(ii) the sum of—

"(I) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

"(II) $250,000 (200 percent of such amount in the case of a joint return).
such amount shall be rounded to the nearest multiple of $1,000.

‘‘(4) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS AND S CORPORATIONS.—In the case of an S corporation, an allocable share shall be the partner's pro rata share of an item.

‘‘(5) ADDITIONAL REPORTING.—The Secretary shall prescribe such additional reporting requirements as the Secretary determines appropriate to carry out the purposes of this subsection.

‘‘(6) COORDINATION WITH SECTION 496.—This subsection shall be applied after the application of section 496.’’.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART III—TAX BENEFITS FOR FAMILIES AND INDIVIDUALS

SEC. 11021. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—Section 16(b) of section 62 is amended by adding at the end the following new paragraph:

‘‘(T) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, $18,000 ($12,000) amounts under section 16(b) shall each be increased by an amount equal to—

‘‘(i) such dollar amount, multiplied by

‘‘(ii) the adjustment determined under section 16(b) for the calendar year in which the taxable year begins, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) therefor.’’

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11022. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 21(b)(1)(A) of section 21 is amended by adding at the end the following new subsection:

‘‘(h) SPECIAL RULES FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (7) of section 21(b)(1)(A) therefor.

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

‘‘(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be—

‘‘(A) in the case of a joint return, $50,000, and

‘‘(B) in the case of an individual who is not married or a married individual filing a separate return, $25,000.''

(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting ‘18’ for ‘17’.

(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

‘‘(A) IN GENERAL.—The credit determined under subsection (a) after the application of paragraph (2) shall be increased by $500 for each dependent (as defined in section 152) other than a qualifying child described in subsection (c) after the application of paragraph (4).

‘‘(B) EXCLUSION FOR CERTAIN NONCITIZENS.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent of the taxpayer under section 152(b)(3) were applied without regard to all that follows ‘resident of the United States’.

‘‘(6) POSITION OF CREDIT REFUNDABLE.—In lieu of the refund provisions applicable to credits allowed under this section, for purposes of the credit allowable under this section:

‘‘(A) IN GENERAL.—The aggregate credits allowed to a taxpayer under subpart C shall be increased by the lesser of—

‘‘(i) the credit which would be allowed under this subsection without regard to this paragraph and the limitation under section 26(a), or

‘‘(ii) the amount by which the aggregate credits allowed by this subpart (determined without regard to this paragraph) would increase if the limitation imposed by section 26(a) were increased by an amount equal to the sum of the taxpayer's payroll taxes for the taxable year.

‘‘(B) PAYROLL TAXES.—

‘‘(1) IN GENERAL.—For purposes of subparagraph (A), the term ‘payroll taxes’ means, with respect to any taxpayer for any taxable year, the amounts of the taxes imposed by—

‘‘(I) section 3101 on wages received by the taxpayer during the calendar year in which the taxable year begins,

‘‘(II) section 3111 on wages paid by an employer with respect to employment of the taxpayer during the calendar year in which the taxable year begins,

‘‘(III) section 3211(a) and 3211(a) on compensation received by the taxpayer during the calendar year in which the taxable year begins,

‘‘(IV) sections 3221(a) and 3211(a) on compensation received by the taxpayer during the calendar year in which the taxable year begins,

‘‘(V) section 3221(a) on compensation paid by an employer with respect to services rendered by the taxpayer during the calendar year in which the taxable year begins,

‘‘(VI) COORDINATION WITH SPECIFIC REFUND OF PAYROLL TAXES.—The term ‘payroll taxes’ shall not include any taxes to the extent the taxpayer is entitled to a special refund of such taxes under section 64(r)(c).

‘‘(VII) SPECIAL RULE.—Any amounts paid pursuant to an agreement under section 121(i) that are entered into by American employers with respect to foreign affiliates which are equivalent to the taxes referred to in clause (II) or (III) of clause (i) shall be treated as taxes referred to in such clause.

‘‘(C) EXCEPTION FOR TAXPAYERS EXCLUDING FOREIGN EARNED INCOME.—Subparagraph (A) shall not apply to any taxpayer for any taxable year if such taxpayer elects to exclude any amount from gross income under section 911 for such taxable year.

‘‘(7) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of the preceding sentence, the term ‘social security number’ means a social security number issued by the Social Security Administration, but only if the social security number is issued to a citizen of the United States or is issued pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I) of section 206(c)(2)(B)(i) of the Social Security Act).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARITABLE CONTRIBUTIONS.

(a) IN GENERAL.—Section 170(b)(1) is amended by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph:

‘‘(G) INCREASED LIMITATION FOR CASH CONTRIBUTIONS.—

‘‘(1) IN GENERAL.—In the case of any contribution of cash to an organization described in subparagraph (A), the total amount of such contributions which may be taken into account under subsection (a) for any taxable year beginning after December 31, 2017, and before January 1, 2026, shall not exceed 60 percent of the taxpayer's contribution base for such year.

‘‘(2) COVERAGE.—If the aggregate amount of contributions described in clause (1) exceeds the applicable limitation under clause (1) for any taxable year described in such clause, such excess amount (in a manner consistent with the rules of subsection (d)(1) as a charitable contribution to which clause (1) applies in each of the 5 succeeding years in order to which such excess amount is allocable) shall be added to the contributions taxable years beginning after December 31, 2017.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2017.

SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS.

(a) INCREASE IN LIMITATION FOR CONTRIBUTIONS FROM COMPENSATION OF INDIVIDUALS WITH DISABILITIES.—

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

‘‘(B) except in the case of contributions under subsection (c)(1)(C), if such contribution to an ABLE account would result in aggregate contributions from all contributors to the ABLE account for the taxable year exceeding the sum of—

‘‘(i) the amount in effect under section 529(b)(1) for the calendar year in which the taxable year begins, plus

‘‘(ii) the amount equal to the poverty line for a one-person household, as determined for the calendar year preceding the calendar year in which the taxable year begins.’’.

(c) INCREASED CONTRIBUTION.—Section 529A(b) is amended by adding at the end the following:
under section 529A(b)(2)(B).’’.

(ii) no contribution is made for the tax-
able year to an annuity contract described in
section 403(b), and

(iii) no contribution is made for the tax-
able year to an eligible deferred compensa-
tion plan described in section 457(b).

(b) POVERTY LINE.—The term ‘‘poverty line’’ has the meaning given such term by
section 673 of the Community Services Block
Grant Act (42 U.S.C. 9902).

(1) IN GENERAL.—Section 529(e) is amended by
striking ‘‘1-year’’ and inserting ‘‘2-year’’.

(b) ALLOWANCE OF SAVERS’ CREDIT FOR
ABLE CONTRIBUTIONS BY ACCOUNT HOLDER.—
Section 25B(d)(1) is amended by striking
‘‘and’’ at the end of subparagraph (B)(i), by
striking the period at the end of subpara-
graph (C) and inserting ‘‘, and’’, and by in-
serting at the end the following:

‘‘(D) the amount of contributions made be-
fore January 1, 2026, by such individual to
the ABLE account (within the meaning of
section 529A) of which such individual is the
designated beneficiary;’’.

(c) ELECTRONIC PAYMENTS.—The amendments
to simplify these by this section shall apply to taxable years beginning after the date of the enact-
ment of this Act.

SEC. 11025. TRAVELERS TO ABLE PROGRAMS FROM 529 PROGRAMS.

(a) IN GENERAL.—Clause (i) of section 529(e)(3)(B)(i), as amended by striking ‘‘or’’ at the end of subclause (I), by striking the period at the end of subclause (II) and inserting ‘‘, or’’, and by adding at the end the follow-
ing:

‘‘(III) before January 1, 2026, to an ABLE
account (as defined in section 529A(c)(6)) of
the designated beneficiary or a member of
the family of the designated beneficiary.

Subclause (III) shall not apply to so much of
a distribution which, when added to all other
contributions made to the ABLE account for
the taxable year prior to the date of
section 529A(b)(2)(B)’’.

(b) EFFECTIVE DATE.—The amendments
made by this section shall apply to distribu-
tions after the date of the enactment of this
Act.

SEC. 11027. EXTENSION OF WAIVER OF LIMITATIONS ON DETERMINATION OF DISTRIBUTION AMOUNTS RECEIVED BY WRONGFULLY INCAR-
CERATED INDIVIDUALS.

(a) IN GENERAL.—Section 320(a) of the Pro-
tection and exciting Americans from Tax Hikes Act of 2015 (26 U.S.C. 139F note) is amended
by striking ‘‘1-year’’ and inserting ‘‘2-year’’.

(b) EFFECTIVE DATE.—The amendments
made by this section shall take effect on the date of the enactment of this Act.

SEC. 11028. UNBORN CHILDREN ALLOWED AS 529 PROGRAM USE.

(a) IN GENERAL.—Section 529(e) is amended
by adding at the end the following new par-
agraph:

(6) TREATMENT OF UNBORN CHILDREN.—

‘‘(A) IN GENERAL.—Nothing shall prevent
an unborn child from being treated as a des-
nominated beneficiary or an individual under
section 529A of the Internal Revenue Code of
1986, as the case may be.’’

(b) EFFECTIVE DATE.—The amendment
made by this section shall apply to contribu-
tions made after December 31, 2017.

SEC. 11029. RELIEF FOR MISSISSIPPI RIVER DELTA FLOOD DISASTER AREA.

(a) IN GENERAL.—For purposes of this sec-
tion, the term ‘‘Mississippi River Delta flood
disaster area’’ means:

(1) with respect to which a major disaster
has been declared by the President under
section 401 of the Robert T. Stafford Disaster
Relief and Emergency Assistance Act before
March 31, 2016, by reason of severe storms
and flooding occurring in Louisiana, Texas,
and Mississippi during March of 2016.

(2) with respect to which a major disaster
has been declared by the President under
section 401 of the Robert T. Stafford Disaster
408(d)(3) of such Code and as having been transferred to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(D) LIMITATIONS.—For purposes of this paragraph—

(i) QUALIFIED MISSISSIPPI RIVER DELTA FLOODING DISTRIBUTION.—Except as provided in subpart IV of this section, the term "qualified Mississippi River Delta flooding distribution" means—

(A) any distribution from an eligible retirement plan made—

(1) on or after August 11, 2016, and before January 1, 2018, to an individual whose principal place of abode on August 11, 2016, was located in the portion of Mississippi River Delta flood disaster area described in subsection (a)(1) and who has sustained an economic loss by reason of the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(2) on or after August 11, 2016, and before January 1, 2018, to an individual making a才可以申请 the plan or contract amendment are in effect; and

(ii) any distribution from an eligible retirement plan made—

(1) on or after August 11, 2016, and before January 1, 2018, to an individual making a才可以 application for a taxable year beginning after December 31, 2017, and before January 1, 2026, does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reason of the discharge (in whole or in part) of any loan described in subpart IV of such Act (relating to the repayment of loan liability), unless the taxpayer elects not to apply the amendment to any plan or annuity contract which is made—

(a) beginning on the date that this section or the regulation described in clause (i)(I) takes effect (or in the case of a plan or contract amendment, the date the plan or contract amendment is adopted), and

(b) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect; and

(ii) such plan or contract amendment applies retroactively for such period.

(c) SPECIAL RULES FOR PERSONAL CASUALTY LOSSES RELATED TO LOUISIANA SEVERE STORMS AND FLOODING.—

(1) In general.—If an individual has a net disaster loss for any taxable year beginning after December 31, 2017, and before January 1, 2026—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be increased by the amount in clause (i) of this subparagraph as excesses 10 percent of the adjusted gross income of the individual;

(B) section 165(h)(1) of such Code shall be applied by subtracting "$500" for "$500 ($100 for taxable years beginning after December 31, 2009)";

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

(D) section 56(b)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph.

(2) Net disaster loss.—For purposes of this paragraph, the term "net disaster loss" means the excess of qualified disaster-related personal casualty losses over personal casualty gains (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986).

(3) QUALIFIED DISASTER-RELATED PERSONAL CASUALTY LOSSES.—For purposes of this paragraph, the term "qualified disaster-related personal casualty losses" means losses described in section 165(h)(3)(A) of the Internal Revenue Code of 1986 which arise—

(A) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(1) on or after August 11, 2016, and which are attributed to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(B) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(2) on or after March 1, 2016, and which are attributed to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(2).

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 for any taxable year beginning after December 31, 2017, and before January 1, 2026, does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reason of the discharge (in whole or in part) of any loan described in subpart IV of such Act (relating to the repayment of loan liability), unless the taxpayer elects not to apply the amendment to any plan or annuity contract which is made—

(a) beginning on the date that this section or the regulation described in clause (i)(I) takes effect (or in the case of a plan or contract amendment, the date the plan or contract amendment is adopted), and

(b) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect; and

(ii) such plan or contract amendment applies retroactively for such period.

(c) SPECIAL RULES FOR PERSONAL CASUALTY LOSSES RELATED TO LOUISIANA SEVERE STORMS AND FLOODING.—

(1) In general.—If an individual has a net disaster loss for any taxable year beginning after December 31, 2017, and before January 1, 2026—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be increased by the amount in clause (i) of this subparagraph as excesses 10 percent of the adjusted gross income of the individual;

(B) section 165(h)(1) of such Code shall be applied by subtracting "$500" for "$500 ($100 for taxable years beginning after December 31, 2009)";

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

(D) section 56(b)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph.

(2) Net disaster loss.—For purposes of this paragraph, the term "net disaster loss" means the excess of qualified disaster-related personal casualty losses over personal casualty gains (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986).

(3) QUALIFIED DISASTER-RELATED PERSONAL CASUALTY LOSSES.—For purposes of this paragraph, the term "qualified disaster-related personal casualty losses" means losses described in section 165(h)(3)(A) of the Internal Revenue Code of 1986 which arise—

(A) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(1) on or after August 11, 2016, and which are attributed to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(B) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(2) on or after March 1, 2016, and which are attributed to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(2).

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 for any taxable year beginning after December 31, 2017, and before January 1, 2026, does not include any amount which (but for this subsection) would be includible in gross income for such taxable year by reason of the discharge (in whole or in part) of any loan described in subpart IV of such Act (relating to the repayment of loan liability), unless the taxpayer elects not to apply the amendment to any plan or annuity contract which is made—

(a) beginning on the date that this section or the regulation described in clause (i)(I) takes effect (or in the case of a plan or contract amendment, the date the plan or contract amendment is adopted), and

(b) ending on the date described in clause (i)(II) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect; and

(ii) such plan or contract amendment applies retroactively for such period.

(c) SPECIAL RULES FOR PERSONAL CASUALTY LOSSES RELATED TO LOUISIANA SEVERE STORMS AND FLOODING.—

(1) In general.—If an individual has a net disaster loss for any taxable year beginning after December 31, 2017, and before January 1, 2026—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be increased by the amount in clause (i) of this subparagraph as excesses 10 percent of the adjusted gross income of the individual;

(B) section 165(h)(1) of such Code shall be applied by subtracting "$500" for "$500 ($100 for taxable years beginning after December 31, 2009)";

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

(D) section 56(b)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph.

(2) Net disaster loss.—For purposes of this paragraph, the term "net disaster loss" means the excess of qualified disaster-related personal casualty losses over personal casualty gains (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986).

(3) QUALIFIED DISASTER-RELATED PERSONAL CASUALTY LOSSES.—For purposes of this paragraph, the term "qualified disaster-related personal casualty losses" means losses described in section 165(h)(3)(A) of the Internal Revenue Code of 1986 which arise—

(A) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(1) on or after August 11, 2016, and which are attributed to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(B) in the portion of the Mississippi River Delta flood disaster area described in subsection (a)(2) on or after March 1, 2016, and which are attributed to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(2).
(c) EXCEPTION FOR WAGE WITHHOLDING.—Section 3402A(a) is amended by adding at the end the following new paragraph: 

“(3) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS DETERMINED.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, paragraph (2) shall not apply to the amount adjusted under subsection (a)(3) for the tax year in which the individual was entitled to such deduction by reason of section 63(c)(5)(A) if the individual’s spouse is an individual described in section 63(c)(5)(A) who has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).

(4) IN GENERAL.—In the case of any taxable year beginning after December 31, 2017, the $4,150 amount in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

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

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

(d) EXCEPTION FOR DETERMINING PROPERTY EXEMPT FROM LEVY.—Section 6334(d) is amended by adding at the end the following new paragraph:

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

“(A) IN GENERAL.—In the case of any taxable year beginning after December 31, 2017, the $4,150 amount in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the sum of the amount determined under subparagraph (B) and the standard deduction, divided by

“(iii) 52.

“(B) AMOUNT DETERMINED.—For purposes of subparagraph (A), the amount determined under this subparagraph is $4,150 multiplied by the sum of the amount determined under section 63(c)(5)(A) for the taxable year in which the taxpayer was entitled to such deduction by reason of section 63(c)(5)(A) if the taxpayer’s spouse has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).

The amount specified in paragraph (1) or (2)(A) shall be increased by the amount of 1 additional standard deduction (within the meaning of section 63(c)(3)) in the case of an individual entitled to such deduction by reason of section 63(c)(5)(A) if the individual’s spouse is an individual described in section 63(c)(5)(A) who has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).

(5) LIMITATION FOR TWO TAXABLE YEARS.—In the case of an individual and a taxable year beginning after December 31, 2017, and before January 1, 2018, and at all times thereafter, paragraph (1)(D) shall not apply to any taxable year beginning after December 31, 2017.

(e) PERSONS REQUIRED TO MAKE RETURNS.—In the case of any taxable year beginning after December 31, 2017, the $4,150 amount in subparagraph (A) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the sum of the amount determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) thereof.

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

“(D) VERIFIED STATEMENT.—Unless the taxpayer submits to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (A) shall be applied as if the taxpayer was a married individual filing a separate return.

(f) EFFECTIVE DATE.—The amendments made by this section shall not apply to any taxable year beginning after December 31, 2017.

SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) IN GENERAL.—Section 63(c)(1)(D) is amended by adding at the end the following new paragraph:

“(2) an individual entitled to make a joint return if—

“(A) the gross income of such individual, when combined with the gross income of such individual’s spouse, for the taxable year does not exceed the standard deduction which would be applicable to the taxpayer for such taxable year under section 63 if such individual’s spouse made a joint return.

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

“(C) such individual’s spouse has the same household as their home at the close of the taxable year.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11043. SUSPENSION OF DEDUCTION FOR HOME EQUITY INTEREST.

(a) IN GENERAL.—Section 163(h)(3)(A)(ii) is amended by inserting “in the case of taxable years beginning after December 31, 2017, and before January 1, 2018,—” before the semicolon at the end of paragraph (3). In the case of any taxable year beginning after December 31, 2017, and before January 1, 2018, and at all times thereafter, paragraph (1) shall not apply to any sale or exchange of property made by an individual entitled to such deduction by reason of section 63(c)(5)(A) if the individual’s spouse has income (other than earned income) in excess of the amount in effect under section 63(c)(5)(A).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11044. MODIFICATION OF DEDUCTION FOR HOME EQUITY INTEREST LOSSES.

(a) IN GENERAL.—Section 163(h)(3)(A)(ii) is amended by adding at the end the following new paragraph:

“(2) LIMITATION FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of any loss of an individual described in section (c)(3) which (but for this paragraph) would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026 (without regard to any election under subsection (1), such loss shall be allowed only to the extent attributable to a Federally declared disaster (as defined in subsection (i)(5)). The preceding sentence shall not apply to any deduction under section 172 which would be attributable to a Federal disaster from a taxable year beginning before January 1, 2018.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to losses incurred in taxable years beginning before December 31, 2017.

SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED DEDUCTIONS.

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

“(g) SUSPENSION FOR TAXABLE YEARS 2018 THROUGH 2025.—Notwithstanding subsection (a), no miscellaneous itemized deduction shall be allowed for any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.

(a) IN GENERAL.—Section 6012 is amended by adding at the end the following new subsection:

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11047. MODIFICATION OF EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) IN GENERAL.—Section 121 is amended by adding at the end the following new subsection:

“(h) SPECIAL RULES FOR SALES OR EXCHANGES IN TAXABLE YEARS 2018 THROUGH 2025.—

“(1) IN GENERAL.—In applying this section with respect to sales or exchanges after December 31, 2017, and before January 1, 2026—

“(A) ‘5-year’ shall be substituted for ‘5-year’ each place it appears in subsections (a), (b)(3)(C)(ii)(I), and (c)(1)(B)(iii) and paragraphs (7), (9), (10), and (12) of subsection (d), and ‘5 years’ shall be substituted for ‘5 years’ each place it appears in subsections (a), (b)(3), (b)(4), (b)(5)(C)(ii)(III), and (c)(1)(B)(ii), and

“(C) ‘5-year’ shall be substituted for ‘2-year’ in subsection (b)(3).

“(2) EXCEPTION FOR BINDING CONTRACTS.—Paragraph (1) shall not apply to any sale or exchange made by a taxpayer whose income in any taxable year beginning after December 31, 2017, and at all times thereafter is not more than the amount of the home equity indebtedness.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales and exchanges after December 31, 2017.

SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED BICYCLE COMMUTING REIMBURSEMENT.

(a) IN GENERAL.—Section 132(f) is amended by adding at the end the following new paragraph:

“(b) SUSPENSION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT EXCLUSION.—Paragraph (1)(D) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11049. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.

(a) IN GENERAL.—Section 132(g) is amended by adding at the end the following new paragraph:

“(1) SPECIAL RULE FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of any loss of an individual described in subsection (c)(3) which (but for this paragraph) would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026 (without regard to any election under subsection (1), such loss shall be allowed only to the extent attributable to a Federally declared disaster (as defined in subsection (i)(5)). The preceding sentence shall not apply to any deduction under section 172 which would be attributable to a Federal disaster from a taxable year beginning before January 1, 2018.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to losses incurred in taxable years beginning after December 31, 2017.

“(2) SUSPENSION FOR TAXABLE YEARS 2018 THROUGH 2025.—Except in the case of a member of the Armed Forces of the United States on active duty who is required to move in connection with a military order and incident to a permanent change of station, subsection (a)(6) shall not
apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11050. SUSPENSION OF DEDUCTION FOR MOVING EXPENSES.

(a) In General.—Section 217 is amended by adding at the end the following new subsection:

"(k) Suspension of Deduction for Taxable Years 2018 Through 2025.—Except in the case of an individual to whom subsection (g) applies, this section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11051. LIMITATION ON WAGERING LOSSES.

(a) In General.—Section 165(d) is amended by adding at the end the following new subparagraph:

"(4) WAGERING LOSSES.—In the case of an estate of decedents dying and gifts made after December 31, 2017, and before January 1, 2026, subparagraph (A) of section 165(d) of the Internal Revenue Code of 1986 shall be disregarded in determining whether an individual's account or benefit under an eligible retirement plan is a rollover contribution under this subsection which is made from an eligible retirement plan which is not a Roth IRA or a designated Roth account under an eligible retirement plan.

(4) TREATMENT OF INHERITED ACCOUNTS.—For purposes of paragraph (1)(A), section 408(d)(3)(C) shall be disregarded in determining whether an individual retirement plan is a plan to which a rollover contribution of a distribution from the plan levied upon is permitted.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART VI—INCREASE IN ESTATE AND GIFT TAX EXEMPTION

SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMPTION.

(a) In General.—Section 2010(c)(3) is amended by adding at the end the following new subparagraph:

"(C) INCREASE IN BASIC EXCLUSION AMOUNT.—In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, paragraph (A) shall be applied by substituting ‘$10,000,000’ for ‘$5,000,000’.

(b) Conforming Amendment.—Subsection (g) of section 2010 is amended to read as follows:

"(g) Modifications to Taxable Payable.—"(1) Modifications to Gift Tax Payable to Reflect Tax Rates.—In order to provide the same estate or gift tax relief that was provided under section 2050, paragraph (1) shall be amended to read as follows: "(1) The credit allowed against such tax under section 2050, including in computing—"(i) the applicable credit amount under section 2050(a)(1), and...

"(2) Modifications to Estate Tax Payable to Reflect Different Basic Exclusion Amounts.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this section with respect to any different between—"(A) the basic exclusion amount under section 2010(a)(3) applicable at the time of the decedent’s death, and...

"(B) the basic exclusion amount under section 2010(a)(3) applicable at the time of the decedent’s death.

(c) Effective Date.—The amendments made by this section shall apply to estates of decedents dying and gifts made after December 31, 2017.

SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY.

(a) Extension of Time for Return of Proceeds.—Subsection (b) of section 6343 is amended by striking "9 months" and inserting "2 years".

(b) Period of Limitation on Suits.—Subsection (c) of such section is amended by—

(1) striking "9 months" in paragraph (1) and inserting "2 years", and...

(2) striking "9 month" in paragraph (2) and inserting "2 years".

(c) Effective Date.—The amendments made by this section shall apply to—

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

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

SEC. 11072. INDIVIDUALS HELD HARMLESS ON IMPROPER LEVY ON RETIREMENT PLANS.

(a) In General.—Section 6343 is amended by adding at the end the following new subsection:

"(f) Individuals Held Harmless on Improper Levy on Retirement Plans.—"(1) In General.—If the Secretary determines that an individual's account or benefit under an eligible retirement plan (as defined in section 402(c)(8)(B)) has been levied upon in a case to which subsection (b) or (d)(2)(A) applies and property or an amount of money is returned to the individual—"(A) the individual may contribute such property or amount equal to the sum of—"(i) the amount of money so returned by the Secretary, and...

"(B) the Secretary makes a determination described in subsection (c) in a case in which the Secretary makes a determination described in subsection (d)(2)(A) with respect to 1 or more gifts, the rates of tax applicable under subsection (c) in effect at the decedent's death shall, in lieu of the rates of tax otherwise applicable under this chapter incurred in carrying on any wagering transaction.

"(2) Effective Date.—The provision made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11073. MODIFICATION OF USER FEE REQUIREMENT FOR INSTALLMENT AGREEMENTS.

(a) In General.—Section 6159 is amended by redesignating subdivision (f) as subdivision (e) and by inserting after subdivision (e) the following new subdivision:

"(f) Installment Agreement Fees.—"(1) Limitation on Fee Amount.—The amount of any fee imposed on an installment agreement under this section may not exceed the amount of such fee as in effect on the date of the enactment of this section.

"(2) Waiver or Reduction of Fees.—In the case of any taxpayer with an adjusted gross income, as determined for the most recent year for which such information is available, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary), the Secretary may—"(A) if the taxpayer agrees to make payments under the installment agreement by electronic payment through a debit instrument, no fee shall be imposed on an installment agreement under this section, and...

"(B) if the taxpayer is unable to make payments under the installment agreement by electronic payment through a debit instrument, the Secretary shall, upon completion of the installment agreement, provide the taxpayer an amount equal to any such fees imposed.

(b) Effective Date.—The amendments made by this section shall apply to agreements entered into on or after the date which is 60 days after the date of the enactment of this Act.

SEC. 11074. FORM 1040SR FOR SENIORS.

(a) In General.—The Secretary of the Treasury (or the Secretary's delegate) shall make available a form, to be known as "Form 1040SR", for use by individuals to file the return of tax imposed by chapter 1 of the Internal Revenue Code of 1986. Such form shall be as similar as practicable to Form 1040E-SR, except that—

"(1) the form shall be available only to individuals who have attained age 65 as of the close of the taxable year,

"(2) the form may be filed even if income for the taxable year includes—

(A) social security benefits (as defined in section 88(d) of the Internal Revenue Code of 1986), and...

(B) distributions from qualified retirement plans (as defined in section 497(c) of such
SEC. 11075. SENSE OF THE SENATE ON IMPROVING CUSTOMER SERVICE AND PROFECTIONS FOR TAXPAYERS BY REIN- TROPROCESSING, APPROPRIATE FUNDING LEVELS.

It is the sense of the Senate that politically motivated budget cuts—

(a) are counterproductive to deficit reduction,
(b) diminish the ability of the Internal Revenue Service to adequately serve taxpayers and protect taxpayer information, and
(c) reduce the ability of the Internal Revenue Service to enforce the law.

SEC. 11076. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

(a) In General.—Chapter 77 is amended by inserting after section 7352 the following new section:

"SEC. 7352A. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

"(a) Volunteer Income Tax Assistance Matching Grant Program.—

"(1) Establishment of program.—The Secretary, through the Internal Revenue Service, shall establish a Community Volunteer Income Tax Assistance Matching Grant Program (hereafter in this section referred to as the 'VITA grant program'). Except as otherwise provided in this section, the VITA grant program shall be administered in a manner which is substantially similar to the Community Volunteer Income Tax Assistance matching grant demonstration program established under title I of division D of the Housing and Community Development Act of 2000.

"(2) Matching grants.—

"(A) In General.—The Secretary shall, subject to the availability of appropriated funds, award grants under the VITA grant program to provide matching funds for the development, expansion, or continuation of qualified return preparation programs assisting low-income taxpayers and members of underserved populations.

"(B) Application.—

"(i) In General.—Subject to clause (ii), in order to be eligible for a grant under this section, a qualified return preparation program shall submit an application to the Secret- ary at such time, in such manner, and containing such information as the Secre- tary reasonably requires.

"(ii) Accuracy Review.—In the case of any qualified return preparation program which was awarded a grant under this section and was subsequently subject to a field site visit by the Internal Revenue Service (including through the Stakeholder Partnerships, Edu- cation, and Communication office in which it was determined that the average accuracy rate for preparation of tax returns through such program was less than 90 percent, such program shall be eligible for any additional grants under this section unless such program provides, as part of their application, sufficient documentation regarding the corrective measures established by the grant to address the deficiencies identified following the field site visit.

"(C) Priority.—In awarding grants under this section, the Secretary shall give priority to applications—

"(i) demonstrating assistance to low-income taxpayers and services for such taxpayers,

"(ii) demonstrating taxpayer outreach and educational activities relating to eligibility and availability of income support programs, including those encouraged under the Internal Revenue Code of 1986, such as the earned income tax credit, and

"(iii) demonstrating specific outreach and focus on one or more underserved popula- tions.

"(D) Duration of grants.—Upon applica- tion of a qualified return preparation pro- gram, the Secretary is authorized to award a multi-year grant not to exceed 3 years.

"(b) Use of grants for overhead expenses prohibited.—No grant made under this section may be used for overhead expenses that are not directly related to any qualified return preparation program.

"(c) Promotion and Referral.—

"(1) Promotion.—The Secretary shall provide the benefits of, and encourage the use of, tax preparation through qualified return preparation programs through the use of various communications, referrals, and other means.

"(2) Internal Revenue Service Referral.—The Secretary shall refer taxpayers to qualified return preparation programs receiving funding under this section.

"(3) VITA Grantee Referral.—Qualified return preparation programs receiving a grant under this section are encouraged to refer, as appropriate, to local or regional Low Income Taxpayer Clinics individuals who are eligible to receive services at such clinics.

"(d) Definitions.—For purposes of this sec- tion—

"(1) Qualified Return Preparation Program.—The term 'qualified return preparation program' means any program—

"(A) which provides assistance to individ- uals, not less than 90 percent of whom are low-income taxpayers, in preparing and filing Federal income tax returns,

"(B) which is administered by a qualified entity,

"(C) in which all of the volunteers who as- sist in the preparation of Federal income tax returns meet the training requirements pre- scribed by the Secretary, and

"(D) which uses a quality review process which reviews 100 percent of all returns.

"(2) Qualified Entity.—

"(A) In General.—The term 'qualified entity' means any entity which—

"(i) is an eligible organization (as de- scribed in subsection (B)) and

"(ii) is in compliance with Federal tax fil- ing and payment requirements,

"(iii) is not debarred or suspended from Federal contracts, grants, or cooperative agreements, and

"(iv) agrees to provide documentation to substantiate any matching funds provided under the VITA grant program.

"(B) Eligible Organization.—

"(i) In General.—Subject to clause (ii), the term 'eligible organization' means—

"(I) an institution of higher education which is described in section 102 (other than subsection (a)(1)(C) thereof) of the Higher Education Act of 1965 (25 U.S.C. 1088), as in effect on the date of the enactment of this section, and which has not been disqualified from participating in a program under title IV of such Act.

"(II) an organization described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code.

"(III) a local government agency, includ- ing—

"(aa) a county or municipal government agency, and
"(bb) an Indian tribe, as defined in section 4(13) of the Native American Housing Assis- tance and Self-Determination Act (25 U.S.C. 4106(13)), including any tribally design- ated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4106(22))), tribal subsidiary, subdivision, or other wholly owned tribal entity, or

"(IV) a local, State, regional, or national coalition (with one lead organization which meets the eligibility requirements of subsection (a)(1)(C)) of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on the date of the enactment of this section, and which has not been disqualified from participating in a program under the VITA grant program.

"(ii) Alternative Eligible Organization.—If no eligible organization described in clause (i) is available to assist the targeted population or community, the term 'eligible organization' shall include—

"(I) a State government agency, and

"(II) a Cooperative Extension Service of- fice.

"(3) Low-Income Taxpayers.—The term 'low-income taxpayer' means a taxpayer who has income for the taxable year which does not exceed an amount equal to the com- pleted phaseout amount under section 32(b) for a household whose joint return with three or more qualifying children, as determined in a revenue procedure or other published guidance.

"(4) Underserved Population.—The term 'underserved population' includes popula- tions of persons with disabilities, persons with limited English proficiency, Native Americans, individually living in rural areas, members of the Armed Forces and their spouses, and the elderly;

"(b) Clerical Amendment.—The table of sections for chapter 77 is amended by inserting after the item relating to section 7352 the following new item:

"7352A. Return preparation programs for low-income taxpayers."
of taxpayers by income. The number of taxpayers eligible to receive such services each year shall be calculated by the Internal Revenue Service annually based on prior year aggregate taxpayer adjusted gross income data.

(c) In addition to the services described in subsection (b), and in the same manner, the IRS Free File Program shall continue to make available to all taxpayers (without regard to income) a basic, online electronic fillable forms utility.

(d) The IRS Free File Program shall continue to work cooperatively with the private sector to provide the free individual income tax preparation and the electronic filing service described in subsections (a) and (b).

(e) The IRS Free File Program shall work cooperatively with State government agencies to enhance and expand the use of the program to provide needed benefits to the taxpayer while reducing the cost of processing.

(f) Nothing in this section is intended to impact the services provided under Taxpayer Assistance Centers, Tax Counseling for the Elderly, and Volunteer Income Tax Assistance programs.

SEC. 11076. CORPORATE FEES RELATING TO AWARDS TO WHISTLEBLOWERS.

(a) In General.—Paragraph (21) of section 62(a) is amended to read as follows:

"(21) CORPORATE FEES RELATING TO AWARDS TO WHISTLEBLOWERS.—" (A) IN GENERAL.—Any deduction allowable under this chapter for attorney fees and court costs paid by, or on behalf of, the taxpayer in connection with any award under—

(i) section 7623(b), or

(ii) in the case of taxable years beginning after December 31, 2017, and before January 1, 2026, any action brought under—


(II) in connection with a conviction for filing a false or fraudulent claim that meets the requirements described in section 1909(b) of the Social Security Act (42 U.S.C. 1396(b)), or

(III) section 23 of the Commodity Exchange Act (7 U.S.C. 26).

"(B) MAY NOT EXCEED AWARD.—Subparagraph (A) shall not apply to any deduction in excess of the amount includable in the taxpayer’s gross income for the taxable year on account of such award."

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11079. CLARIFICATION OF WHISTLEBLOWER AWARDS.

(a) Definition of Proceeds.—

(1) In General.—Section 7623 is amended by adding at the end the following new subsection:

"(e) PROCEEDS.—For purposes of this section, the term 'proceeds' includes—

"(1) penalties, interest, additions to tax, and additional amounts provided under the Internal Revenue Code in lieu of the dollar amount includable in the taxpayer’s gross income for the taxable year on account of such award.

"(2) any proceeds arising from laws for which the Internal Revenue Service is authorized to administer, enforce, or investigate, including—

(A) criminal fines and civil forfeitures, and

(B) violations of reporting requirements.

(b) Conforming Amendments.—Paragraphs (1) and (2)(A) of section 7623(b) are each amended by inserting "(determined without regard to whether such proceeds are available to the Secretary)" after "in response to such action".

(c) Determination of Threshold.—Section 7623(b)(5)(B) is amended by striking "tax, penalties, interest, additions to tax, and additional amounts" and inserting "proceeds".

(d) Amendments Made by This Section.—Any amendments made by this section shall apply to information provided before, on, or after the date of the enactment of this Act with respect to which $50,000 has been earned but not been made before such date of enactment.

PART VII—INDIVIDUAL MANDATE

SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY PENALTY FOR INDIVIDUALS FAILING TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

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

(1) in paragraph (2)(B)(ii), by striking ‘‘2.5 percent’’ and inserting ‘‘Zero percent’’, and

(2) in paragraph (3)—

(A) by striking ‘‘4960A’’ in subparagraph (A) and inserting ‘‘D’’, and

(B) by striking subparagraph (D).

(b) Effective Date.—The amendment made by this section shall apply to months beginning after December 31, 2018.

Subtitle B—Alternative Minimum Tax

SEC. 12001. REPEAL OF TAX FOR CORPORATIONS.

(a) In General.—Section 55(b)(1)(A) is amended by striking ‘‘there’’ and inserting ‘‘in the case of a taxpayer other than a corporation, there’’.

(b) Conforming Amendments.—

(1) Section 38(c)(6) is amended by adding at the end the following new subparagraph:

"(K) in the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.’’.

(2)(A) Section 55(b)(1) is amended to read as follows:

"(1) Amount of Tentative Tax.—

"(A) in General.—The tentative minimum tax for the taxable year is the sum of—

(i) 26 percent of so much of the taxable excess as does not exceed $175,000, plus

(ii) 28 percent of so much of the taxable excess as exceeds $175,000.

The amount determined under the preceding sentence shall be reduced by the alternative minimum tax foreign tax credit for the taxable year.

"(B) Taxable Excess.—For purposes of this subsection, the term ‘taxable excess’ means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

"(C) Married Individual Filing Separate Return.—In the case of a married individual filing separate returns, subparagraph (A) shall be applied by substituting 50 percent of the dollar amount otherwise applicable under clause (i) and clause (ii) thereof. For purposes of this subsection, the sentence status shall be determined under section 7703.

"(B) Ko). Section 56(b)(1)(A) is amended by striking subparagraph (B)(i) in lieu of the highest rate of tax specified in section 1 or 11 (whichever applies) in paragraph (1)(C) and inserting ‘‘section 56(b)(1) in lieu of the highest rate of tax specified in section 1’’, and

(ii) in paragraph (2), by striking ‘‘means’’ and all that follows inserting ‘‘means the amount determined under the first sentence of section 55(b)(1)’’.

"(C) Section 897(a)(2)(A) is amended by striking ‘‘section 55(b)(1)(A)’’ and inserting ‘‘section 55(b)(1)(C)’’.

"(D) Section 911(f) is amended—

"(i) in paragraph (1)(B)—

(I) by striking ‘‘section 55(b)(1)(A)(i)’’ and inserting ‘‘section 55(b)(1)(A)(ii)’’ and

(II) by striking ‘‘section 55(b)(1)(A)(i)’’ and inserting ‘‘section 55(b)(1)(A)(ii)’’ and

(ii) in paragraph (2)(B), by striking ‘‘section 55(b)(1)(A)(i)’’ each place it appears and inserting ‘‘section 55(b)(1)(B)’’.

"(E) Corporations.—In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.’’.

"(2) Taxes Imposed by Corporation.—In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.’’.

(b) Effective Date.—The amendment made by this section is effective on and after January 1, 2026.

SEC. 12002. SUSPENSION OF TAX ON INDIVIDUALS.

(a) In General.—Section 6655(a)(1) is amended by striking "and alternative minimum taxable income" each place it appears in subparagraphs (A) and (B)(i).

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12003. SUSPENSION OF TAX ON CORPORATIONS.

(a) In General.—Section 55(b)(1)(A)(ii) is amended by striking "in paragraph (2)(B)(i) and inserting "in paragraph (2)(A)(ii) and"

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

S7741

December 1, 2017

CONGRESSIONAL RECORD — SENATE
(a) **Credits Treated as Refundable.**—Section 1561 is amended by adding at the end the following new subsection: 

"(c) **Refundable Earnings Credit in the Case of Certain Controlled Corporations.**—

(i) by striking all that precedes "(c) 35 percent" and inserting: 

"(c) The rate differential of foreign source net capital gain, net capital gain, or the excess of net capital gain from sources within the United States over net capital gain, as the case may be, is the same proportion of such amount as—" (ii) by striking the last sentence."

(b) **Effective Date.**—

(1) In General.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) **Conforming Amendments.**—Section 1374(b)(3)(X) is amended by striking the last sentence.

### Subtitle B—Business-related Provisions

#### Part I—Corporate Provisions

**Sec. 12901. 20.94-percent Corporate Tax Rate**

(a) **In General.**—Subsection (b) of section 11 is amended to read as follows:

"(i) by striking all that precedes "35 percent" and inserting: 

"(i) by striking "35 percent" and inserting "the highest rate of tax in effect for the taxable year under section 11(b)"; and 

(ii) by striking "of the gain" and inserting "multiplied by the gain".

(b) **Section 1450(e)(2) is amended by striking "35 percent of the amount" and inserting "the highest rate of tax in effect for the taxable year under section 11(b) multiplied by the amount"."

(c) **Section 1450(e)(6) is amended by striking "35 percent" and inserting "the highest rate of tax in effect for the taxable year under section 11(b)", and by striking "of the amount" and inserting "multiplied by the amount"."

### Sec. 1561. Limitation on Accumulated Earnings Credit in the Case of Certain Controlled Corporations.

(a) **In General.**—The component members of a controlled group of corporations on the last day of such taxable year for purposes of the preceding sentence, section 1562(b) shall be applied as if such last day were substituted for December 31.

(b) **Effective Date.**—

(1) In General.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2018.
TITLE I
SEC. 11000. SHORT TITLE, ETC.
(a) Short Title.—This title may be cited as the "Tax Cuts and Jobs Act." 
(b) Amendment of 1986 Code.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.
(a) In General.—Section 1 is amended by adding at the end the following new subsection:

"(1) In General.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

"(A) subsection (i) shall not apply, and

"(B) this section (other than subsection (i)) shall be applied as provided in paragraphs (2) through (7)."

"(2) Rate Tables.—

"(A) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The following table shall be applied in lieu of the table contained in subsection (a):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $0 but not over $12,500</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $12,500 but not over $25,100</td>
<td>12% of taxable income</td>
</tr>
<tr>
<td>Over $25,100 but not over $37,850</td>
<td>22% of taxable income</td>
</tr>
<tr>
<td>Over $37,850 but not over $41,880</td>
<td>24% of taxable income</td>
</tr>
<tr>
<td>Over $41,880 but not over $157,050</td>
<td>32% of taxable income</td>
</tr>
<tr>
<td>Over $157,050 but not over $315,000</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $315,000 but not over $413,100</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $413,100 but not over $500,000</td>
<td>39.6% of taxable income</td>
</tr>
<tr>
<td>Over $500,000</td>
<td>39.6% of taxable income + $150,739.50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $500,000 but not over $701,950</td>
<td>3% of the excess over $500,000</td>
</tr>
<tr>
<td>Over $701,950 but not over $10,000,000</td>
<td>12% of the excess over $701,950</td>
</tr>
<tr>
<td>Over $10,000,000 but not over $28,113,000</td>
<td>25% of the excess over $10,000,000</td>
</tr>
<tr>
<td>Over $28,113,000 but not over $50,000,000</td>
<td>30% of the excess over $28,113,000</td>
</tr>
<tr>
<td>Over $50,000,000 but not over $80,571,500</td>
<td>35% of the excess over $50,000,000</td>
</tr>
<tr>
<td>Over $80,571,500 but not over $100,000,000</td>
<td>38.5% of the excess over $80,571,500</td>
</tr>
<tr>
<td>Over $100,000,000</td>
<td>38.5% of the excess over $100,000,000 + $150,739.50</td>
</tr>
</tbody>
</table>

(7) Marital status and dependency exceptions.—

(i) heads of households.—The following table shall be applied in lieu of the table contained in subsection (b):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $0 but not over $12,500</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $12,500 but not over $37,850</td>
<td>12% of taxable income</td>
</tr>
<tr>
<td>Over $37,850 but not over $87,150</td>
<td>22% of taxable income</td>
</tr>
<tr>
<td>Over $87,150 but not over $11,339.50</td>
<td>24% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $31,548</td>
<td>32% of taxable income</td>
</tr>
<tr>
<td>Over $31,548 but not over $91,479</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $91,479 but not over $11,339.50</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $20,000,000</td>
<td>39.6% of taxable income + $150,739.50</td>
</tr>
<tr>
<td>Over $20,000,000</td>
<td>3% of the excess over $20,000,000</td>
</tr>
</tbody>
</table>

(ii) other taxpayers.—The following table shall be applied in lieu of the table contained in subsection (b):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $0 but not over $12,500</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $12,500 but not over $37,850</td>
<td>12% of taxable income</td>
</tr>
<tr>
<td>Over $37,850 but not over $87,150</td>
<td>22% of taxable income</td>
</tr>
<tr>
<td>Over $87,150 but not over $11,339.50</td>
<td>24% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $31,548</td>
<td>32% of taxable income</td>
</tr>
<tr>
<td>Over $31,548 but not over $91,479</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $91,479 but not over $11,339.50</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $20,000,000</td>
<td>39.6% of taxable income + $150,739.50</td>
</tr>
<tr>
<td>Over $20,000,000</td>
<td>3% of the excess over $20,000,000</td>
</tr>
</tbody>
</table>

(8) Special rules for certain children with unearned income.—

(i) In general.—In the case of the child to whom subsection (b) applies for the taxable year, the table in paragraph (7) shall be applied in lieu of the table contained in subsection (b).

(ii) Heads of households.—The following table shall be applied in lieu of the table contained in subsection (b):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $0 but not over $12,500</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $12,500 but not over $37,850</td>
<td>12% of taxable income</td>
</tr>
<tr>
<td>Over $37,850 but not over $87,150</td>
<td>22% of taxable income</td>
</tr>
<tr>
<td>Over $87,150 but not over $11,339.50</td>
<td>24% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $31,548</td>
<td>32% of taxable income</td>
</tr>
<tr>
<td>Over $31,548 but not over $91,479</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $91,479 but not over $11,339.50</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $20,000,000</td>
<td>39.6% of taxable income + $150,739.50</td>
</tr>
<tr>
<td>Over $20,000,000</td>
<td>3% of the excess over $20,000,000</td>
</tr>
</tbody>
</table>

(9) Special rules for married individuals filing separate returns.—The following table shall be applied in lieu of the table contained in subsection (b):

<table>
<thead>
<tr>
<th>Taxable Income</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $0 but not over $12,500</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $12,500 but not over $25,100</td>
<td>12% of taxable income</td>
</tr>
<tr>
<td>Over $25,100 but not over $37,850</td>
<td>22% of taxable income</td>
</tr>
<tr>
<td>Over $37,850 but not over $51,500</td>
<td>24% of taxable income</td>
</tr>
<tr>
<td>Over $51,500 but not over $61,900</td>
<td>32% of taxable income</td>
</tr>
<tr>
<td>Over $61,900 but not over $11,339.50</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $11,339.50 but not over $20,000,000</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $20,000,000</td>
<td>39.6% of taxable income + $150,739.50</td>
</tr>
</tbody>
</table>

(10) Special rules for taxpayers filing under substitute standard of living.—The following table shall be applied in lieu of the table contained in subsection (b):
year on a child described in subparagraph (A), the income tax table otherwise applicable under this subsection to the child shall be applied with the following modifications:

(I) in the case of a married individual filing a separate return,

(II) in the case of an individual who is the head of a household (as defined in section 2(b)), $452,800, and

(III) in the case of any other individual (other than an estate or trust), $425,800, and

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI.

(a) IN GENERAL.—Subsection (i) of section 1(f)(3) is amended—

(1) by strike of the dollar amount in effect for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(i); and

(2) by striking paragraph (3) and by inserting in its place—

((I) the earned taxable income of such child,

(I) the earned taxable income of such child, plus

(ii) the amount in effect under paragraph (4)(B)(i)(IV) for the taxable year,

(iii) the earned taxable income of such child, plus

(ii) the maximum zero rate amount shall not be more than the sum of—

(I) the earned taxable income of such child, plus

(ii) the amount in effect under paragraph (5)(B)(ii)(IV) for the taxable year.

(D) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.
more than 5 percent, the C-CPI-U for the base calendar year shall be increased such that such excess shall never be taken into account under clause (i). In the case of a base calendar year after 2017, the C-CPI-U for such year shall be determined by multiplying the CPI for such year by the amount determined under section 1(f)(3)(B).

(4) Subparagraph (A)(i) is amended by striking ‘‘for calendar year 1992’’ and inserting ‘‘for calendar year 2016’’ in subparagraph (A)(i) thereof.

(5) Section 262(c)(6)(B) is amended by striking ‘‘adjusted for changes in the Consumer Price Index (as defined in section 1(f)(6)) since 1991’’ and inserting ‘‘increasing any such amount under the 1991 agreement by an amount equal to—’’.

‘‘(A) such amount, multiplied by

‘‘(B) any borrowing adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 1990’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.’’

(6) So much of clause (ii) of section 213(d)(10)(B) as precedes the last sentence is amended to read as follows:

‘‘(ii) Medical care cost adjustment.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the percentage, determined for any year—

‘‘(I) the medical care component of the C-CPI-U (as defined in section 1(f)(6)) for August of the preceding calendar year (determined without regard to any increase under the 1991 agreement),

‘‘(II) such component of the CPI (as defined in section 1(f)(4)) for August of 1996, multiplied by the amount determined under section 1(f)(3)(B).

‘‘(7) Section 777A(a)(2) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(i)’’.

‘‘(8) Section 1277A(d)(1)(B) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(ii)’’.

‘‘(9) Paragraph (2) of section 1277A(d) is amended to read as follows:

‘‘(2) Adjustment for inflation.—In the case of any debt instrument arising out of a sale or exchange during any calendar year after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to—

‘‘(A) such amount, multiplied by

‘‘(B) any borrowing adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 1990’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $100).

‘‘(10) Section 410(b)(2)(C)(iii)(I) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(ii)’’.


‘‘(12) Section 6039F(d) is amended by striking ‘‘subparagraph (B) thereof shall be applied by substituting ‘1995’ for ‘1992’’’’ and inserting ‘‘subparagraph (A)(ii) thereof shall be applied by substituting ‘1995’ for ‘2016’’’’.

‘‘(13) Section 7872(g)(5) is amended to read as follows:

‘‘(5) Adjustment of limit for inflation.—In the case of any loan made during any calendar year after 1986, the dollar amount in paragraph (2) shall be increased by an amount equal to—

‘‘(A) such amount, multiplied by

‘‘(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 1985’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence shall be rounded to the nearest multiple of $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $100).

‘‘(e) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART II.—QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES

SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS INCOME.

(a) In General.—Part VI of subchapter B of chapter 1 is amended by adding at the end the following new section:

‘‘SEC. 1184A. QUALIFIED BUSINESS INCOME.

‘‘(a) In General.—In the case of a taxpayer other than a corporation, there shall be allowed as a deduction for any taxable year an amount equal to the lesser of—

‘‘(1) the combined qualified business income amount of the taxpayer, or

‘‘(2) an amount equal to 17.4 percent of the excess (if any) of—

‘‘(A) the combined qualified business income amount of the taxpayer for the taxable year, over

‘‘(B) any net capital gain (as defined in section 1(h)) of the taxpayer for the taxable year.

‘‘(b) Combined Qualified Business Income Amount.—For purposes of this section—

‘‘(1) In General.—The term ‘combined qualified business income amount’ means, with respect to any taxable year, an amount equal to—

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

‘‘(B) 17.4 percent of the aggregate amount of all the qualified REIT dividends and qualified cooperative dividends of the taxpayer for the taxable year.

‘‘(2) Determination of Deductible Amount for Each Trade or Business.—The amount determined under this paragraph with respect to any qualified trade or business is the lesser of—

‘‘(A) 17.4 percent of the taxpayer’s qualified business income with respect to the qualified trade or business, or

‘‘(B) 50 percent of the W-2 wages with respect to the qualified trade or business.

‘‘(3) Modifications to the Wage Limit Based on Taxable Income.—

‘‘(a) Exception from Wage Limit.—In the case of any taxpayer whose taxable income for the taxable year does not exceed the threshold amount, paragraph (2) shall be applied without regard to subparagraph (B).

‘‘(b) Case of Limit for Certain Taxpayers.—

‘‘(i) In General.—If—

‘‘(I) the taxable income of the taxpayer for any taxable year is less than the lesser of—

‘‘(1) the threshold amount, and

‘‘(2) $100,000 ($200,000 in the case of a joint return),

‘‘(II) the amount determined under subparagraph (B) (determined without regard to this subparagraph) with respect to any qualified trade or business carried on by the taxpayer during the taxable year,

‘‘(ii) Amount of Reduction.—The amount determined under this subparagraph is the amount which bears the same ratio to the excess amount as—

‘‘(I) the amount by which the taxpayer’s taxable income for the taxable year exceeds the threshold amount, bears to,

‘‘(II) $50,000 ($100,000 in the case of a joint return).

‘‘(iii) Excess Amount.—For purposes of clause (ii), the excess amount is the excess of—

‘‘(I) the amount determined under paragraph (2)(A) (determined without regard to this paragraph), over

‘‘(II) the amount determined under paragraph (2)(B) (determined without regard to this paragraph).

‘‘(c) Scope of Covered Entities.—(A) In General.—The term ‘W-2 wages attributable to qualified business income’—such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c).

‘‘(B) Limitation on Wages Attributable to Qualified Business Income.—Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c).

‘‘(d) Limitation on Wages Attributable to Qualified Business Income.—Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c).

‘‘(e) Return Requirement.—Such term shall not include any amount which is not properly allocable to qualified business income for purposes of subsection (c).

‘‘(f) Acquisitions, Dispositions, and Short Taxable Years.—The Secretary shall provide for the application of this subsection in cases of a short taxable year or where the taxpayer acquires, disposes of, the major portion of a trade or business during the taxable year.

‘‘(g) Qualified Business Income.—For purposes of this section—

‘‘(1) In General.—The term ‘qualified business income’ means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer.

‘‘(2) Determination of Limit for Certain Taxpayers.—For purposes of this subsection—

‘‘(A) In General.—The term ‘qualified items of income, gain, deduction, and loss’ means items of income, gain, deduction, and loss to the extent such items are—

‘‘(i) effectively connected with the conduct of a trade or business within the United States (within the meaning of section 864(c), determined by substituting ‘qualified trade or business’ for ‘a foreign corporation’ or for ‘a foreign corporation’ each place it appears), and

‘‘(ii) included or allowed in determining taxable income for the taxable year.

‘‘(B) Exceptions.—The following investment items shall not be taken into account as a qualified item of income, gain, deduction, and loss:

‘‘(i) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss.

‘‘(ii) Any dividend, or any dividend equivalent to a dividend, or payment in lieu of dividends described in section 963(e)(1)(G).
‘‘(iii) Any interest income other than interest income which is properly allocable to a trade or business.

‘‘(iv) Any item of gain or loss described in subparagraphs (A), (B), and (C) of section 554(c)(1) (applied by substituting ‘‘qualified trade or business’’ for ‘‘controlled foreign corporation’’).

‘‘(v) Any item of income, gain, deduction, or loss taken into account under section 595(c)(1)(F) (determined without regard to clause (ii) thereof and other than items attributed to personal services contracts entered into in transactions qualifying under section 1221(a)(7)).

‘‘(vi) Any amount received from an annuity which is not received in connection with the trade or business.

‘‘(vii) Any item of deduction or loss properly allocable to any payment described in section 707(a) to a partner for services rendered with respect to the trade or business, and

section 707(c) paid to a partner for services rendered with respect to the trade or business,''

qualified business income shall not include—

‘‘(A) a capital gain described in section 1221(b)(3), and

‘‘(B) qualified REIT dividend.

‘‘(C) to the extent provided in regulations, any payment described in section 707(a) to a partner for services rendered with respect to the trade or business other than a specified service trade or business.

‘‘(ii) A specified service trade or business— For purposes of this section—

‘‘(i) in general.—The term ‘specified service trade or business’ means any trade or business other than a specified service trade or business.

‘‘(ii) specified service trade or business.—

‘‘(A) in general.—The term ‘specified service trade or business’ means—

‘‘(i) any trade or business involving the performance of services described in section 122(e)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

‘‘(ii) exception to specified service business.—

‘‘(A) in general.—If, for any taxable year, the taxable income of any taxpayer is less than the sum of the threshold amount plus $50,000 ($100,000 in the case of a joint return), then—

‘‘(i) the exception under paragraph (i) shall not apply to specified service trades or businesses of the taxpayer for the taxable year, but

‘‘(ii) only the applicable percentage of qualified items of income, gain, deduction, or loss, of the W-2 wages, of the wage-earner who allocable to such specified service trades or businesses shall be taken into account in computing the qualified business income and W-2 wages for the taxable year for purposes of applying this section.

‘‘(B) applicable percentage.—For purposes of subparagraph (A), the term ‘applicable percentage’ means, with respect to any taxable year, 100 percent reduced (not below zero) by the percentage equal to the ratio of—

‘‘(i) the taxable income of the taxpayer for the taxable year in excess of the threshold amount, bears to

$450,000 ($900,000 in the case of a joint return).

‘‘(e) Other Definitions.—For purposes of this section—

‘‘(1) Qualifying Trade or Business Income.—Taxable income shall be computed without regard to the deduction allowable under this section.''

‘‘(2) Threshold Amount.—

‘‘(A) in general.—The term ‘threshold amount’ means $250,000 (200 percent of such amount in the case of a joint return).

‘‘(B) in general.—In the case of any taxable year beginning after December 31, 2018, the dollar amount in paragraph (1) shall be increased by an amount equal to—

‘‘(i) such threshold amount multiplied by

‘‘(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.

‘‘If any amount as increased under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

‘‘(3) Qualified REIT Dividend.—The term ‘qualified REIT dividend’ means any dividend from a real estate investment trust received during the taxable year which—

‘‘(A) is not a capital gain dividend, as defined in section 857(b)(3), and

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

‘‘(4) Qualified Cooperative Dividend.—The term ‘qualified cooperative dividend’ means any patronage dividend (as defined in section 1388(f)) in respect of which allocation (as defined in section 1388(f)), and any qualified written notice of allocation (as defined in section 1388(c)), or any similar amount relating to a qualified written notice of allocation described in subparagraph (B)(ii), which—

‘‘(A) is includible in gross income, and

‘‘(B) received by—

‘‘(i) an organization or corporation described in section 501(c)(12) or 1381(a), or

‘‘(ii) an organization which is governed under this title by the rules applicable to cooperatives under this title before the enactment of subchapter T.

‘‘(5) Treatment of Gross Income.—

‘‘(A) in general.—In the case of a partnership or S corporation, W-2 wages of the partner or shareholder level,

‘‘(i) each partner or shareholder shall take into account such person’s allocable share of each qualified item of income, gain, deduction, and loss, and

‘‘(ii) each partner or shareholder shall be treated for purposes of paragraph (b) as having W-2 wages for the taxable year in an amount equal to such person’s allocable share of the W-2 wages of the partnership or S corporation for the taxable year (as determined under regulations prescribed by the Secretary).

‘‘For purposes of clause (i), a partner’s or shareholder’s allocable share of W-2 wages shall be determined in the same manner as the partner’s or shareholder’s allocable share of wage expenses. For purposes of this subparagraph, an S corporation, an allocable share shall be the shareholder’s pro rata share of an item.

‘‘(B) Application to Trusts and Estates.—This section shall not apply to any trust or estate.

‘‘(C) Treatment of Trades or Business in Puerto Rico.—

‘‘(i) in general.—In the case of any taxpayer with qualified business income from sources within the commonwealth of Puerto Rico, if all such income is taxable under section 55, such income shall be determined for purposes of determining the qualified business income of such taxpayer for such taxable year, and the term ‘United States’ shall include the Commonwealth of Puerto Rico.

‘‘(ii) Special Rule for Applying Wage Limitation.—In the case of any taxpayer described in clause (i), the determination of W-2 wages for purposes of this paragraph with respect to any qualified trade or business conducted in Puerto Rico shall be made without regard to any exclusion under section 3401(a)(8) for remuneration paid for services in Puerto Rico.

‘‘(2) Coordination with Minimum Tax.—For purposes of determining alternative minimum taxable income under section 55, if all qualified business income shall be determined without regard to any adjustments under sections 36 through 59.

‘‘(3) Exception for Certain Noncorporate Taxpayers.—The deduction under subsection (a) shall only be allowed for purposes of this chapter.

‘‘(4) Regulations.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including—

‘‘(A) for requiring or restricting the allocation of items of income, gain, deduction, or loss which are not subject to the limitations of section 6662(d)(1) and (2).

‘‘(B) for the application of this section to any corporation.

‘‘(C) for restrictions on the application of this section to any tax shelter, or any similar arrangement, and

‘‘(D) for any other matter the Secretary deems necessary or appropriate.

‘‘(5) Construction of subsection.—For purposes of section 6662(d)(1), the term ‘tax shelter’ includes any contract, arrangement, plan, or device (whether formal or informal) (including financial instrument or transaction) entered into after December 31, 2017, which is designed or intended to—

‘‘(A) reduce the tax liability of any taxpayer,

‘‘(B) increase the potential benefits of any taxpayer to the extent that those benefits are not attributable to productive services performed by the taxpayer or to the investment of property,

‘‘(C) enable any person to enjoy any tax benefit (including any tax reduction or deferral) under any provision of this title (other than section 199A) unless a different construction is clearly compelled by the express terms of such provision, or

‘‘(D) enable the taxpayer to transfer any portion of such reduction in tax liability to any other person.

‘‘(6) Effective Date.—For purposes of section 6662(d)(1), the term ‘tax shelter’ includes any contract, arrangement, plan, or device (whether formal or informal) entered into after December 31, 2017, which is designed or intended to reduce the tax liability of any taxpayer, or the potential benefits of any taxpayer to the extent that those benefits are not attributable to productive services performed by the taxpayer or to the investment of property, unless a different construction is clearly compelled by the express terms of such provision.

‘‘(D) special rules for certain noncorporations.—The Secretary shall prescribe such regulations as the Secretary deems necessary or appropriate.

‘‘(E) effective date.—For purposes of section 6662(d)(1), the term ‘tax shelter’ includes any contract, arrangement, plan, or device (whether formal or informal) entered into after December 31, 2017, which is designed or intended to reduce the tax liability of any taxpayer, or the potential benefits of any taxpayer to the extent that those benefits are not attributable to productive services performed by the taxpayer or to the investment of property, unless a different construction is clearly compelled by the express terms of such provision.

‘‘(7) Extension.—The Secretary shall prescribe such regulations as the Secretary deems necessary or appropriate to implement this section.
shall be treated as a net operating loss carryover to the following taxable year under section 172.

(3) EXCESS BUSINESS LOSS.—For purposes of this subsection (c), subparagraphs (A)(ii), (B)(ii), and (C) of section 1(f) apply to the dollar amounts contained in any taxable year beginning after December 31, 2017, and before January 1, 2026.

II. INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.

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

"(1) SPECIAL RULES FOR TAXABLE YEARS THROUGH 2025.—"(i) IN General.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (7).

"(2) CREDITS AMOUNT.—Subsection (a) shall be applied by substituting "$2,000" for "$1,000".

"(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be—

(A) in the case of a joint return, $500,000, and

(B) in the case of an individual who is not married or a married individual filing a separate return, $250,000.

"(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (2)(B) shall be taken into account by substituting '18' for '17'.

"(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—Paragraph (3)(B) the following new sub-paragraph:

"(i) the aggregate deductions of the taxpayer (determined without regard to whether such deductions are disallowed for such taxable year under paragraph (1)), over

(ii) the sum of—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined by the Secretary for the calendar year in which the taxable year begins.

If any amount as increased under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

"(6) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or an S corporation—

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

(B) each partner’s or shareholder’s allocable share of the items of income, gain, deduction, or loss of the partnership or S corporation for any taxable year from trades or businesses attributable to the partner or shareholder shall be taken into account by the partner or shareholder in applying this subsection to the taxable year of such partner or shareholder with or within which the taxable year of the partnership or S corporation ends.

For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the shareholder’s pro rata share of an item.

"(7) ADJUSTED GROSS INCOME.—The Secretary shall prescribe additional reporting requirements as the Secretary determines appropriate to carry out the purposes of this subsection.

"(8) COOPERATION WITH SECTION 469.—This subsection shall be applied after the application of section 469.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART III—TAX BENEFITS FOR FAMILIES AND INDIVIDUALS

SEC. 11023. INCREASE IN STANDARD DEDUCTION.

(a) IN GENERAL.—In subsection (c) of section 63 is amended by adding at the end the following new paragraph:

"(7) INCREASED LIMITATION FOR CASH CONTRIBUTIONS TO ELIGIBLE ACCOUNTS.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026—

(A) INCREASE IN STANDARD DEDUCTION.—Paragraph (2) shall be applied—

(i) by substituting "$15,000" for "$14,400" in subparagraph (B), and

(ii) by substituting "$12,000" for "$11,400" in subparagraph (C).

(B) ADJUSTMENT FOR INFLATION.—

(i) IN GENERAL.—Paragraph (4) shall not apply to the dollar amounts contained in paragraphs (2)(B) and (2)(C).

(ii) ADJUSTMENT OF INCREASED AMOUNTS.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this paragraph (A) shall each be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by the Secretary for 2017 for ‘2018’ in subparagraph (A)(ii) thereof.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS.

(a) INCREASE IN LIMITATION FOR CONTRIBUTIONS FROM EMPLOYERS OF INDIVIDUALS WITH DISABILITIES.—

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

"(2) E LIGIBLE DESIGNATED BENEFICIARY.—Section 529A(b)(2)(B) are met, an eligible designated beneficiary described in paragraph (3) of such section shall be treated as a net operating loss carryover for taxable years ending after December 31, 2017.

"(3) EXCESS BUSINESS LOSS.—For purposes of section 172, "income of the taxpayer" means—

"(A) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

"(B) any amount as increased under the Paragraph (1), determined under subparagraph (1), over

"(2) the aggregate deductions of the taxpayer (determined without regard to whether such deductions are disallowed for such taxable year under paragraph (1)), over

"(3) THE AGGREGATE AMOUNT OF SUCH CONTRIBUTIONS WHICH MAY BE TAKEN INTO ACCOUNT UNDER SUBPARAGRAPH (A) AND (B).

"(4) Phillips.—In the case of a taxable year beginning after December 31, 2017, such contribution shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined by the Secretary for the calendar year in which the taxable year begins.

If any amount as increased under the preceding sentence is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

"(5) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or an S corporation, an allocable share shall be taken into account by the partner or shareholder in applying this subsection to the taxable year of such partner or shareholder with or within which the taxable year of the partnership or S corporation ends.

For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the shareholder’s pro rata share of an item.

"(6) ADJUSTED GROSS INCOME.—The Secretary shall prescribe additional reporting requirements as the Secretary determines appropriate to carry out the purposes of this subsection.

"(7) COOPERATION WITH SECTION 469.—This subsection shall be applied after the application of section 469.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.
SEC. 11027. EXTENSION OF WAIVER OF LIMITATIONS WITH RESPECT TO EXCLUDIBLE ABLE CONTRIBUTIONS RECEIVED BY WRONGFULLY INCAPACITATED INDIVIDUALS.

(a) In General.—Section 529(e) is amended by adding at the end the following new paragraph:

"(1) Nothing shall prevent a child in utero from being treated as a designated beneficiary or an individual under this section.

(b) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 11028. UNBORN CHILDREN ALLOWED AS 529 ACCOUNT BENEFICIARIES.

(a) In General.—Section 529(e) is amended by adding at the end the following new paragraph:

"(1) The term 'unborn child' means a child in utero.

(b) Effective Date.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 11029. RELIEF FOR MISSISSIPPI RIVER DELTA FLOOD DISASTER AREA.

(a) In General.—For purposes of the section, the term "Mississippi River Delta flood disaster area" means any area—

(1) with respect to which a major disaster has been declared under section 412 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act before September 3, 2016, by reason of severe storms and flooding occurring in Louisiana during August of 2016, or

(2) with respect to which a major disaster has been declared by the President under section 412 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act before March 31, 2016, by reason of severe storms and flooding occurring in Louisiana during August of 2016, or

(b) Special Rules for Use of Retirement Funds With Respect to Mississippi Delta Areas Damaged by Flooding.

(1) Tax-Favored Withdrawals from Retirement Plans.

(a) In General.—Section 72(t) of the Internal Revenue Code is amended by inserting before the period a "qualified Mississippi River Delta flooding distribution."

(b) Aggregated Dollar Limitation.

(1) In General.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified Mississippi River Delta flood disaster distributions for all prior taxable years shall not exceed the excess (if any) of—

(I) $100,000, over

(II) the aggregate amounts treated as qualified Mississippi River Delta flood disaster distributions received by such individual for all prior taxable years.

(ii) Treatment of Plan Distributions.

If a distribution to an individual would (without regard to clause (i)) be a qualified Mississippi River Delta flooding distribution, a qualified Mississippi River Delta flooding distribution shall not be treated as a distribution made to an individual to the extent of such distribution which is allocable or includible in the gross income of an individual by reason of severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(ii) Treatment of Plan Distributions.

If a distribution to an individual would (without regard to clause (i)) be a qualified Mississippi River Delta flooding distribution, a qualified Mississippi River Delta flooding distribution shall not be treated as a distribution made to an individual to the extent of such distribution which is allocable or includible in the gross income of an individual by reason of severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(iii) Effective Date.

The amendments made by this section shall take effect on June 9, 2015.

SEC. 11030. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA OF EGYPT.

(a) In General.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as a combat zone (as determined under section 112 of such Code):

(1) Section 222 (relating to income taxes of members of the Armed Forces).

(2) Section 3401(a) (relating to the taxation of employees of the Armed Forces).

(3) Section 621 (relating to the inclusion of earned income credits of members of the Armed Forces).

(4) Section 7508 (relating to time for performing services).

(5) Section 7512 (relating to time for performing services).

(6) Section 7518 (relating to time for performing services).

(7) Section 891(b) (relating to the employment of a member of the Armed Forces and his dependent in combat zone).

(b) Special Rules for Use of Retirement Plans.

(1) Qualified Retirement Plans—

(A) Defined.—For purposes of this paragraph, the term "qualified retirement plans" means—

(I) any qualified retirement plan of which such individual is a member, and

(II) any plan treated as a direct rollover of such qualified retirement plan to an IRA.

(B) Effective Date.—The amendments made by this section shall take effect on June 9, 2015.

II.

SEC. 11031. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE DELTA FLOOD DISASTER AREA.

(a) In General.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as a combat zone (as determined under section 112 of such Code):

(1) Section 222 (relating to income taxes of members of the Armed Forces).

(2) Section 3401(a) (relating to the taxation of employees of the Armed Forces).

(3) Section 621 (relating to the inclusion of earned income credits of members of the Armed Forces).

(4) Section 7508 (relating to time for performing services).

(5) Section 7512 (relating to time for performing services).

(6) Section 7518 (relating to time for performing services).

(7) Section 891(b) (relating to the employment of a member of the Armed Forces and his dependent in combat zone).

(b) Special Rules for Use of Retirement Plans.

(1) Qualified Retirement Plans—

(A) Defined.—For purposes of this paragraph, the term "qualified retirement plans" means—

(I) any qualified retirement plan of which such individual is a member, and

(II) any plan treated as a direct rollover of such qualified retirement plan to an IRA.

(B) Effective Date.—The amendments made by this section shall take effect on June 9, 2015.

III.

SEC. 11032.- TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE DELTA FLOOD DISASTER AREA.

(a) In General.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as a combat zone (as determined under section 112 of such Code):

(1) Section 222 (relating to income taxes of members of the Armed Forces).

(2) Section 3401(a) (relating to the taxation of employees of the Armed Forces).

(3) Section 621 (relating to the inclusion of earned income credits of members of the Armed Forces).

(4) Section 7508 (relating to time for performing services).

(5) Section 7512 (relating to time for performing services).

(6) Section 7518 (relating to time for performing services).

(7) Section 891(b) (relating to the employment of a member of the Armed Forces and his dependent in combat zone).

(b) Special Rules for Use of Retirement Plans.

(1) Qualified Retirement Plans—

(A) Defined.—For purposes of this paragraph, the term "qualified retirement plans" means—

(I) any qualified retirement plan of which such individual is a member, and

(II) any plan treated as a direct rollover of such qualified retirement plan to an IRA.

(B) Effective Date.—The amendments made by this section shall take effect on June 9, 2015.

IV.

SEC. 11033. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE DELTA FLOOD DISASTER AREA.

(a) In General.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as a combat zone (as determined under section 112 of such Code):

(1) Section 222 (relating to income taxes of members of the Armed Forces).

(2) Section 3401(a) (relating to the taxation of employees of the Armed Forces).

(3) Section 621 (relating to the inclusion of earned income credits of members of the Armed Forces).

(4) Section 7508 (relating to time for performing services).

(5) Section 7512 (relating to time for performing services).

(6) Section 7518 (relating to time for performing services).

(7) Section 891(b) (relating to the employment of a member of the Armed Forces and his dependent in combat zone).

(b) Special Rules for Use of Retirement Plans.

(1) Qualified Retirement Plans—

(A) Defined.—For purposes of this paragraph, the term "qualified retirement plans" means—

(I) any qualified retirement plan of which such individual is a member, and

(II) any plan treated as a direct rollover of such qualified retirement plan to an IRA.

(B) Effective Date.—The amendments made by this section shall take effect on June 9, 2015.

V.

SEC. 11034. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE DELTA FLOOD DISASTER AREA.

(a) In General.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable period, a qualified hazardous duty area shall be treated in the same manner as a combat zone (as determined under section 112 of such Code):

(1) Section 222 (relating to income taxes of members of the Armed Forces).

(2) Section 3401(a) (relating to the taxation of employees of the Armed Forces).

(3) Section 621 (relating to the inclusion of earned income credits of members of the Armed Forces).

(4) Section 7508 (relating to time for performing services).

(5) Section 7512 (relating to time for performing services).

(6) Section 7518 (relating to time for performing services).

(7) Section 891(b) (relating to the employment of a member of the Armed Forces and his dependent in combat zone).

(b) Special Rules for Use of Retirement Plans.

(1) Qualified Retirement Plans—

(A) Defined.—For purposes of this paragraph, the term "qualified retirement plans" means—

(I) any qualified retirement plan of which such individual is a member, and

(II) any plan treated as a direct rollover of such qualified retirement plan to an IRA.

(B) Effective Date.—The amendments made by this section shall take effect on June 9, 2015.
(I) In general.—If an individual has a net disaster loss for any taxable year beginning after December 31, 2017, and before January 1, 2028,—

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

(i) such net disaster loss, and

(ii) so much of the excess referred to in the matter preceding clause (i) of section 165(h)(2)(A) of such Code (reduced by the amount in clause (i) of this subparagraph) as exceeds 10 percent of the adjusted gross income of the individual.

(B) section 165(h)(1) of such Code shall be applied by substituting “$500” for “$500 ($100 per taxable years beginning after December 31, 2009)”.

(C) the standard deduction determined under section 63(c) of such Code shall be increased by the net disaster loss, and

(D) section 56(e)(1)(E) of such Code shall not apply to so much of the standard deduction as is attributable to the increase under subparagraph (C) of this paragraph.

(2) Net disaster loss.—For purposes of this subsection, the term “net disaster loss” means the excess of qualified disaster-related personal casualty losses (as defined in section 165(h)(3)(A) of the Internal Revenue Code of 1986) over personal casualty gains (as defined in section 165(h)(3)(B) of the Internal Revenue Code of 1986) with respect to any taxable year described in subparagraph (A).

(3) Qualified disaster-related personal casualty losses.—For purposes of this paragraph, the term “qualified disaster-related personal casualty losses” means losses described in section 165(h)(3) of the Internal Revenue Code of 1986 which arise—

(A) in the portion of the Mississippi River flood disaster area described in subpart (j) of section (a)(2) on or after August 11, 2016, and which are attributable to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(4), or

(B) in the portion of the Mississippi River Delta flood disaster area described in section (a)(2) on or after March 1, 2016, and which are attributable to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(2).

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 who dies on or after January 1, 2018, the amount a student loan (as defined in paragraph (A)(ii) thereof.

(b) Effect of discharge.—Section 642(b)(2)(C) is amended by adding at the end the following new paragraph:

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

3. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(aa) such dollar amount, multiplied by

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

4. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(aa) such dollar amount, multiplied by

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(iii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.

(d) Exception for determining property exempt from levy.—Section 633(f)(4) is applicable to any student loan (as defined in paragraph (A)(ii) thereof.

5. Thek because the calendar year beginning after 2018, the $1,400 amount in subparagraph (A) shall be increased by an amount equal to—

(bb) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2016’ for ‘2015’ in subparagraph (B)(ii) thereof.

(c) In general.—The amount a student loan (as defined in paragraph (A)(ii) thereof.
amended by adding at the end the following new paragraph:

“(d) Years When Personal Exemption Amount is Zero.—

(A) In General.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, paragraph (2) shall not apply and for purposes of paragraph (1) the term ‘exempt amount’ means an amount equal to—

(i) the sum of the amount determined under subparagraph (B) and the standard deduction divided by—

(ii) 52.

(B) Amount Determined.—For purposes of subparagraph (A), the amount determined under this subparagraph is $4,150 multiplied by the number of the taxpayer’s dependents for the taxable year in which the levy occurs.

(C) Inflation Adjustment.—In the case of any taxable year beginning after December 31, 2018, the $4,150 amount in subparagraph (B) shall be increased by an amount equal to—

(i) such dollar amount, multiplied by

(ii) the cost-of-living adjustment determined under section 1(f)(5) for the calendar year beginning after December 31, 2018, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) thereof.

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

(D) Verified Statement.—Unless the taxpayer signs a statement to the effect that he or she is not required to make returns with respect to income under subsection (A), subparagraph (B), subparagraph (C), or subparagraph (D), such statement shall be treated as if the taxpayer were a married individual filing a separate return with no dependents.

(e) Required to Make Returns of Income.—Section 6012 is amended by adding at the end the following new subsection:

“(f) Special Rule for Taxable Years 2018 Through 2025.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, subsection (a)(1) shall not apply, and every individual who has gross income for the taxable year shall be required to make returns with respect to income taxes under subtitle A, except that a return shall not be required—

(1) an individual who is not married (determined by applying section 7703) and who has gross income for the taxable year which does not exceed the standard deduction applicable to such individual for such taxable year under section 63, or

(2) an individual entitled to make a joint return.

“(g) Gross Income.—(A) The gross income of such individual, when combined with the gross income of such individual’s spouse, for the taxable year does not exceed the standard deduction which would be applicable to the taxpayer for such taxable year under section 63 if such individual and such individual’s spouse made a joint return.

“(B) Such individual and such individual’s spouse have the same household as their home at the close of the taxable year.

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

“(D) neither such individual nor such individual’s spouse is an individual described in section 63(c)(5)(A). The amount specified in paragraph (1) or (2)(A) shall be the amount of the standard deduction applicable to such individual for such taxable year under section 63, or

(2) an additional standard deduction to which the individual or the individual’s spouse is entitled by reason of section 63(c)(1).”.

(f) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) In General.—Subsection (b) of section 164 is amended by adding at the end the following new paragraphs:

“(g) Suspension of Individual Deductions for Taxable Years 2018 Through 2025.—In the case of an individual and a taxable year beginning after December 31, 2017, and before January 1, 2026—

“(A) paragraphs (1) and (2) of subsection (a) shall not apply to any real property or personal property taxes which are paid or accrued in carrying on a trade or business or an activity described in section 162, and

“(B) subsection (a)(3) shall not apply to any State or local taxes.”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11043. SUSPENSION OF DEDUCTION FOR HOME EQUITY INTEREST.

(a) In General.—Section 163(h)(3)(A)(ii) is amended by adding at the end the following new paragraph:

“(5) Limitation for Taxable Years 2018 Through 2025.—In case of any loss of an individual described in subsection (c)(3) which (but for this paragraph) would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026 (without regard to any election under subsection (1)), such loss shall be allowed only to the extent it is attributable to a Federally declared disaster occurring after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years ending after December 31, 2017.

SEC. 11044. MODIFICATION OF DEDUCTION FOR PENALTY TAXES.

(a) In General.—Subsection (b) of section 166 is amended by adding at the end the following new paragraph:

“(5) Suspension for Taxable Years 2018 Through 2025.—In case of any loss of an individual described in subsection (c)(3) which (but for this paragraph) would be deductible in a taxable year beginning after December 31, 2017, and before January 1, 2026 (without regard to any election under subsection (1)), such loss shall be allowed only to the extent it is attributable to a Federally declared disaster occurring after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years ending after December 31, 2017.

SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED DEDUCTIONS.

(a) In General.—Section 67 is amended by adding at the end the following new subsection:

“(g) Suspension for Taxable Years 2018 Through 2025.—In the case of any individual described in section 67(d)(1)(A), no miscellaneous itemized deduction shall be allowed for any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.

(a) In General.—Section 68 is amended by adding at the end the following new subsection:

“(f) Section Not to Apply.—This section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11047. MODIFICATION OF EXCLUSION OF GAIN FROM SALE OF PRINCIPAL RESIDENCE.

(a) In General.—Section 121 is amended by adding at the end the following new subsection:

“(b) Special Rules for Sales or Exchanges in Taxable Years 2018 Through 2025.—

“(1) In General.—In applying this section with respect to sales or exchanges after December 31, 2017, and before January 1, 2026—

“(A) ‘8-year’ shall be substituted for ‘5-year’ each place it appears in subsections (a), (b)(5)(C)(i)(I) and (ii)(I), and paragraphs (d)(1)(D) and (e)(4).

“(B) ‘5 years’ shall be substituted for ‘2 years’ each place it appears in subsections (a), (b)(3), (b)(4), (b)(5)(C)(i)(III), and (c)(4)(B)(ii), and

“(C) ‘5-year’ shall be substituted for ‘2-year’ in subsection (b)(3).

“(2) Exception for Binding Contracts.—Paragraph (1) shall not apply to any sale or exchange with respect to which there was a written binding contract in effect before January 1, 2018, and at all times thereafter before the sale or exchange.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED CYCLE BUSCING REIMBURSEMENT.

(a) In General.—Section 132(f) is amended by adding at the end the following new paragraph:

“(8) Suspension of Qualified Bicycle Commuting Reimbursement.—Paragraph (1)(D) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11049. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.

(a) In General.—Section 132(g) is amended by adding at the end the following new paragraph:

“(1) by striking ‘For purposes of this section, the term’ and inserting ‘For purposes of this section—

“(1) General.—The term’; and

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

“(2) Suspension for Taxable Years 2018 Through 2025.—Except in the case of an individual entitled to make a joint return pursuant to a military order and incident to a permanent change of station, subsection (a)(6) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11050. SUSPENSION OF DEDUCTION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.

(a) In General.—Section 182 is amended by adding at the end the following new subsection:

“(1) General.—Subsection (b)(1)(A) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11051. LIMITATION ON WAGERING LOSSES.

(a) In General.—Section 61 is amended by adding at the end the following new subsection:

“(1) General.—Subsection (b)(1)(A) shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.
‘losses from wagering transactions’ includes any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART VI—INCREASE IN ESTATE AND GIFT TAX EXEMPTION

SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMPTION.

(a) In General.—Section 2010(c)(3) is amended by adding at the end the following new subparagraph:

“(C) INCREASE IN BASIC EXCLUSION AMOUNT.—In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, subparagraph (b)(2) shall be applied by substituting ‘$10,000,000’ for ‘$5,000,000’.”

(b) CONFORMING AMENDMENTS.—Subsection (g) of section 2001 is amended to read as follows:

“(g) MODIFICATIONS TO TAX PAYABLE.—

“(1) MODIFICATIONS TO GIFT TAX PAYABLE TO REFLECT DIFFERENT BASIC EXCLUSION AMOUNTS.—For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under section 2505(a) in effect at the decedent’s death shall, in lieu of the rates of tax in effect at the time of such gifts, be used both to compute—

“(A) the tax imposed by chapter 12 with respect to such gifts, and

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

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

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

“(2) MODIFICATIONS TO ESTATE TAX PAYABLE TO REFLECT DIFFERENT BASIC EXCLUSION AMOUNTS.—The Secretary shall prescribe regulations as may be necessary or appropriate to carry out this section with respect to any difference between—

“(A) the basic exclusion amount under section 2010(c)(3) applicable at the time of the decedent’s death, and

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

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

PART VII—TAXPAYER RIGHTS AND TAX ADMINISTRATION

SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING IRS LEVY.

(a) Extension of Time for Return of Property Subject to Levy.—Subsection (b) of section 6332 is amended by striking “9 months” and inserting “2 years”.

(b) Period of Limitation on Suits.—Subsection (c) of section 6332 is amended—

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

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

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

SEC. 11072. INDIVIDUALS HELD HARMLESS ON IMPROPER LEVY ON RETIREMENT PLANS.

(a) In General.—Section 6343 is amended by adding at the end the following new subsection:

“(l) INDIVIDUALS HELD HARMLESS ON IMPROPER LEVY, ETC. ON RETIREMENT PLAN.—

“(1) In General.—If the Secretary determines that an individual’s account or benefit under an eligible retirement plan (as defined in section 402(c)(8)(B)) has been levied upon in a manner which the Secretary makes a determination described in subsection (d) with respect to such levy is permitted.

“(B) if the taxpayer is unable to make payments under the installment agreement by electronic payment through a debit instructions, no fee shall be imposed on an installment agreement

“(C) I NCREASE IN BASIC EXCLUSION AMOUNT.—

“(d) INCREASE IN BASIC EXCLUSION AMOUNT.—In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, subparagraph (b)(2) shall be applied by substituting ‘$10,000,000’ for ‘$5,000,000’.”

SEC. 11073. MODIFICATION OF USER FEE REQUIREMENTS FOR INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—Section 6159 is amended by redesignating subsection (f) as subsection (g) and by inserting after such subsection (e) the following new subsection:

“(f) INSTALLMENT AGREEMENT FEES.—

“(1) LIMITATION ON FEE AMOUNT.—The amount of any fee imposed on an installment agreement under this section may not exceed the amount of such fee as in effect on the date of the enactment of this subsection.

“(2) WAIVER OR REIMBURSEMENT.—In the case of any taxpayer with an adjusted gross income, as determined for the most recent taxable year for which such information is available, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary), the taxpayer has agreed to make payments under the installment agreement by electronic payment through a debit instructions, no fee shall be imposed on an installment agreement

“(1) the form shall be available only to individuals who have attained age 65 as of the close of the taxable year,

“(2) the form may be used even if income for the taxable year includes—

“(A) social security benefits (as defined in section 86(d) of the Internal Revenue Code of 1986),

“(B) distributions from qualified retirement plans (as defined in section 401(k) of such Code), annuities or other such deferred payment arrangements,

“(C) interest and dividends, or

“(D) capital gains and losses taken into account in determining adjusted net capital gain (as defined in section 1(h)(3) of such Code), and

“(3) the form shall be available without regard to the amount of any item of taxable income or the total amount of taxable income for the taxable year.

“(b) EFFECTIVE DATE.—The form required by subsection (a) shall be made available for taxable years beginning after the date of the enactment of this Act and ending before January 1, 2026.

SEC. 11075. SENSE OF THE SENATE ON IMPROVING CUSTOMER SERVICE AND PROTECTIONS FOR TAXPAYERS BY REINSTATING APPROPRIATE FUNDING LEVELS.

It is the sense of the Senate that politically motivated budget cuts—

“(1) are counterproductive to deficit reduction,

“(2) diminish the ability of the Internal Revenue Service to adequately serve taxpayers and protect taxpayer information, and

“(3) reduce the ability of the Internal Revenue Service to enforce the law.
SEC. 11076. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

(a) In general.—Chapter 77 is amended by inserting after section 7526 the following new section:

"SEC. 7526A. RETURN PREPARATION PROGRAMS FOR LOW-INCOME TAXPAYERS.

"(a) Volunteer Income Tax Assistance Matching Grant Program.—

"(1) Establishment of program.—The Secretary, through the Internal Revenue Service, shall establish a Community Volunteer Income Tax Assistance Matching Grant Program (hereinafter in this section referred to as the 'VITA grant program'). Except as otherwise provided in this section, the VITA grant program shall be administered in a manner which is substantially similar to the Community Volunteer Income Tax Assistance matching grants demonstration program established under title II of division D of the Consolidated Appropriations Act, 2008.

"(2) Matching grants.—

"(A) In general.—The Secretary shall, subject to the availability of appropriated funds, make available grants under the VITA grant program to provide matching funds for the development, expansion, or continuation of qualified return preparation programs assisting low-income taxpayers and members of underserved populations.

"(B) Application.—

"(i) Eligibility.—Subject to clause (ii), in order to be eligible for a grant under this section, a qualified return preparation program shall submit an application to the Secretary at such time, in such manner, and containing such information as the Secretary reasonably requires.

"(ii) Accuracy Review.—In the case of any qualified return preparation program which was awarded a grant under this section and was subsequently subject to a field site visit by the Internal Revenue Service (including through third-party quality assurance agreements and governing rules established pursuant thereto), in which it was determined that the average accuracy rate for preparation of tax returns through such program was less than 90 percent, such program shall not be eligible for any additional grants under this section unless such program provides, as part of their application, evidence that the corrective measures established by such program to address the deficiencies identified following the field site visit.

"(C) Awarding of Grants.—Subject to clause (ii), the Secretary shall give priority to applications—

"(i) demonstrating assistance to low-income taxpayers, with an emphasis on outreach to and services for such taxpayers,

"(ii) demonstrating taxpayer outreach and educational activities relating to eligibility and availability of income supports available through the Internal Revenue Code of 1986, such as the earned income tax credit, and

"(iii) demonstrating specific outreach and focus on one or more underserved populations.

"(D) Duration of grants.—Upon application of a qualified return preparation program, the Secretary is authorized to award a multi-year grant not to exceed 3 years.

"(3) Aggregate limitation.—Unless otherwise provided by specific appropriation, the Secretary shall not allocate more than $30,000,000 per fiscal year (exclusive of costs of administering the program) to carry out the purposes of this section.

"(b) Use of funds.—

"(1) In general.—Qualified return preparation programs receiving a grant under this section may use the grant for—

"(i) for wages or salaries of persons coordinating the activities of the program,

"(II) for volunteer training and quality reviews, and

"(III) to develop and conduct training, and perform quality reviews of the returns for which assistance has been provided under the program, and

"(ii) for equipment purchases and vehicle-related expenses associated with remote or rural tax preparation services,

"(III) outreach and educational activities described in section 234(c)(2), and

"(IV) services related to financial education and capability, asset development, and the establishment of savings accounts in connection with the tax returns processed.

"(2) Use of Grants for Overhead Expenses Prohibited.—No grant made under this section may be used for overhead expenses that are not directly related to any qualified return preparation program.

"(c) Promotion and Referral.—

"(1) Promotion.—The Secretary shall promote the benefits of, and encourage the use of, tax preparation through qualified return preparation programs through the use of mass communications, referrals, and other means.

"(2) Internal Revenue Service referrals.—The Secretary shall refer taxpayers to qualified return preparation programs receiving funds under this section.

"(3) VITA grantee referral.—Qualified return preparation programs receiving a grant under this section are encouraged to refer, as appropriate, to local or regional Low Income Taxpayer Clinics individuals who are eligible to receive services at such clinics.

"(d) Definitions.—For purposes of this section:

"(1) Qualified Return Preparation Program.—The term 'qualified return preparation program' means any program—

"(A) which provides assistance to individuals, not less than 90 percent of whom are low-income taxpayers, in preparing and filing Federal income tax returns,

"(B) which is administered by a qualified entity,

"(C) in which all of the volunteers who assist in the preparation of any matching funds provided by the Secretary are selected from the target population or community to which the program is provided, and

"(D) which uses a quality review process which reviews 100 percent of all returns.

"(2) Qualified Entity.—

"(A) In general.—The term 'qualified entity' means any entity which—

"(i) is an institution of higher education,

"(ii) an institution of higher education operated by the Veterans Administration, or

"(iii) an institution of higher education operated for the purpose of assisting low-income taxpayers, in preparing and filing Federal income tax returns meet the training requirements prescribed by the Secretary, and

"(B) Inclusion of spin-offs of for-profit entities.—Except as provided in subsection (b)(1)(B), no qualified entity shall include a spin-off of a program described in clause (I) acting as the applicant.

"(3) Eligible Organization.—

"(A) In general.—Subject to clause (ii), the term 'eligible organization' means—

"(i) an organization described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code,

"(II) a local government agency, including—

"(aa) a county or municipal government agency, and

"(bb) an Indian tribe, as defined in section 419 of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 418(b)), including any tribally designated housing entity (as defined in section 422 of such Act (25 U.S.C. 418(d))), tribal subdivisions or other wholly owned tribal entity, or

"(IV) a State, local, regional, or national coalition (with one lead organization which cooperatively with State government agencies to enhance and expand the use of the program to provide needed benefits to the target population while reducing the cost of processing returns.

"(f) Nothing in this section is intended to impact the continuity of services provided by the Tax Counseling for the Elderly, and Volunteer Income Tax Assistance programs.
SEC. 11078. ATTORNEYS' FEES RELATING TO AWARDS TO WHISTLEBLOWERS.

(a) IN GENERAL.—(ParAGRAPH (21) OF SECTION 62(a) IS AMENDED TO READ AS FOLLOWS: "(21) ATTORNEYS' FEES RELATING TO AWARDS TO WHISTLEBLOWERS.—

"(A) IN GENERAL.—Any deduction allowable under this chapter for attorneys fees and court costs paid by, or on behalf of, the taxpayer in connection with any award under—

"(i) section 7622(b), or

"(ii) in the case of taxable years beginning after December 31, 2026, and before January 1, 2028, any action brought under—

"(I) section 21F OF THE SECURITIES EXCHANGE ACT OF 1934 (15 U.S.C. 78u-6), OR


"(B) MAY NOT EXCEED AWARD.—Subparagraph (A) shall not apply to any deduction in excess of the amount includable in the taxpayer’s gross income for the taxable year on account of such award.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11079. CLARIFICATION OF WHISTLEBLOWER AWARDS.

(a) DEFINITION OF PROCEEDS.—(1) IN GENERAL.—Section 7623 IS AMENDED BY ADDING AT THE END THE FOLLOWING NEW SUBSECTION:

"(c) PROCEEDS.—For purposes of this section, the term ‘proceeds’ includes—

"(i) penalties, interest, additions to tax, and additional amounts provided under the internal revenue laws, and

"(ii) any proceeds arising from laws for which the Internal Revenue Service is authorized to administer, enforce, or investigate.

"(A) criminal fines and civil forfeitures, and

"(B) violations of reporting requirements.

"(2) CONFORMING AMENDMENTS.—Paragraphs (1) AND (2) OF SECTION 55(b) ARE AMENDED BY STRIKING ‘‘collected proceeds (includ- ing interest, additions to tax, and additional amounts) resulting from the action’’ AND INSERTING ‘‘proceeds collected as a result of the action’’.

"(b) AMOUNT OF PROCEEDS DETERMINED WITHOUT REGARD TO AVAILABILITY.—Paragraphs (1) AND (2) OF SECTION 55(b) ARE EACH AMENDED BY STRIKING ‘‘collected proceeds (including interest, additions to tax, and additional amounts) resulting from the action’’ AND INSERTING ‘‘proceeds collected as a result of the action’’.

"(3) AMENDMENT MADE BY THIS SECTION SHALL APPLY TO TAXABLE YEARS BEGINNING AFTER DECEMBER 31, 2017.

SEC. 11080. UNLAWFUL CLAIMS.

(a) IN GENERAL.—Section 6721 IS AMENDED TO READ AS FOLLOWS: "(a) IN GENERAL.—The tentative minimum tax for the taxable year is the sum of:

"(1) AMOUNT OF TENTATIVE TAX.—

"(A) IN GENERAL.—The tentative minimum tax for the taxable year is the sum of—

"(i) 28 percent of so much of the taxable excess as does not exceed $375,000, plus

"(ii) 28 percent of so much of the taxable excess as exceeds $375,000.

"(B) TAXABLE EXCESS.—For purposes of this subsection, the term ‘taxable excess’ means so much of the alternative minimum taxable income for the taxable year as exceeds the exemption amount.

"(C) MARRIED INDIVIDUAL FILING SEPARATE RETURN.—In the case of a married individual filing a separate return, subparagraph (A) shall be applied by subtracting 50 percent of the dollar amount otherwise applicable under clause (i) and clause (ii) thereof. For purposes of the preceding sentence, marital status shall be determined under section 7703.

"(B) Section 59(a) IS AMENDED—

"(1) BY STRIKING ‘‘SUBPARAGRAPH (A) OR (B)’’ AND INSERTING ‘‘SUBPARAGRAPH (A) OR (B)’’,

"(2) BY STRIKING ‘‘SHOULD’’ AND INSERTING ‘‘SHALL’’,

"(3) BY STRIKING ‘‘SHOULD BE DETERMINED’’ AND INSERTING ‘‘SHALL BE DETERMINED’’, AND

"(4) BY STRIKING ‘‘EXCEEDS’’ AND INSERTING ‘‘EXCEEDS THE EXEMPTION AMOUNT’’.

"(C) Section 962(a)(10) IS AMENDED BY STRIKING ‘‘SUBPARAGRAPH (B)’’ AND INSERTING ‘‘SUBPARAGRAPH (A)’’.

"(D) Section 911(f) IS AMENDED—

"(1) BY STRIKING ‘‘SUBPARAGRAPH (A) OR (B)’’ AND INSERTING ‘‘SUBPARAGRAPH (B)’’,

"(2) BY STRIKING ‘‘SHOULD’’ AND INSERTING ‘‘SHALL’’,

"(3) BY STRIKING ‘‘SHOULD BE DETERMINED’’ AND INSERTING ‘‘SHALL BE DETERMINED’’, AND

"(4) BY STRIKING ‘‘EXCEEDS’’ AND INSERTING ‘‘EXCEEDS THE EXEMPTION AMOUNT’’.

"(E) Section 6655(g)(1)(A) IS AMENDED BY STRIKING ‘‘SUBPARAGRAPH (B)’’ AND INSERTING ‘‘SUBPARAGRAPH (A)’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12001. REPEAL OF TAX FOR CORPORATIONS.

(a) IN GENERAL.—Section 55 Is amended by striking ‘‘There’’ and inserting ‘‘In the case of a corporation other than a personal holding company, there shall be imposed as a corporate tax’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to months beginning after December 31, 2017.

SEC. 12002. SUSPENSION OF TAX ON INDIVIDUALS.

(a) IN GENERAL.—Section 55(a) IS AMENDED BY ADDING AT THE END THE FOLLOWING NEW SUBSECTION:

"(e) PORTION OF CREDIT TREATED AS REFUNDABLE.—

"(1) IN GENERAL.—In the case of any taxable year beginning after December 31, 2017, and before January 1, 2026, and the tentative minimum tax of any taxpayer for any such taxable year shall be zero for purposes of this title.

"(2) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12003. CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.

(a) CREDITS TREATED AS REFUNDABLE.—Section 53 IS AMENDED BY ADDING AT THE END THE FOLLOWING NEW SUBSECTION:

"(e) AMT REFUNDABLE CREDIT AMOUNT.—For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 90 percent (100 percent in the case of a taxable year beginning in 2023) of the excess (if any) of—

"(A) the minimum tax credit determined under subsection (b) for the taxable year, over

"(B) the minimum tax credit allowed under subsection (a) for such year (before the application of this subsection for such year).

"(2) AMT REFUNDABLE CREDIT.—For purposes of this title (other than this section), the credit allowed by reason of this subsection shall be
treated as a credit allowed under subpart C (and not this subpart).

“(4) SHORT TAXABLE YEARS.—In the case of any taxable year of less than 365 days, the amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined with respect to such paragraph as the number of days in such taxable year bears to 365.”.

(b) TREATMENT OF REFERENCES.—Section 53(c)(3) is amended by adding at the end the following new paragraph:

“(3) AMT TERM REFERENCES.—In the case of a corporation, any references in this section to section 55, 56, or 57 shall be treated as a reference to such section as in effect before the amendments made by Tax Cuts and Jobs Act.

SEC. 13001. 20.94-PERCENT CORPORATE TAX RATE.

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

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be 20.94 percent of taxable income.

(b) CONFORMING AMENDMENTS.—

(1) In general.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

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

Subtitle C—Business-related Provisions

PART I—CORPORATE PROVISIONS

Subpart A—20.94-percentage Tax Rate

SEC. 13001. 20.94-PERCENT CORPORATE TAX RATE.

(a) In General.—Subsection (b) of section 11 is amended to read as follows:

“(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) shall be 20.94 percent of taxable income.

(b) Conforming Amendments.—

(1) In general.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) Conforming Amendment.—The amendment made by subsection (c) shall apply to taxable years beginning after December 31, 2021.

(3) Cross Reference.—For limitation on accumulated earnings credit in the case of certain controlled corporations, see section 1561.

(b) Certain Short Taxable Years.—If a corporation has a short taxable year which includes such December 31, the amount to be used in computing the accumulated earnings credit under section 53(c)(2) and (3) of such corporation for such taxable year shall be the amount specified in subsection (a) with respect to such group, divided by the number of years which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.

(b) The table of sections for part II of chapter B of chapter 5 is amended by striking the item relating to section 1561 and inserting the following new item:

“Sec. 1561. Limitation on accumulated earnings credit in the case of certain controlled corporations.”

(7) Section 7518(b)(6)(A) is amended—

(A) by striking “With respect to the portion” and inserting “In the case of a taxpayer other than a corporation, with respect to the portion”;

(B) by striking “34 percent” and inserting “35 percent”.

(c) Effective Date.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2018.

(2) Withholding.—The amendments made by subsection (b)(d) shall apply to distributions made after December 31, 2018.

(3) Certain Transfers.—The amendments made by subsection (b)(d) shall apply to transfers made after December 31, 2018.

(d) Normalization Requirements.—

(1) In General.—A normalization method of accounting shall not be used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.

(2) Alternative Method For Certain Taxpayers.—If, as of the last day of the taxable year that includes the date of enactment of this Act—

(A) the taxpayer was required by a regulatory agency to compute for public utility property on the basis of an average life or composite rate method, and

“(5) Cross Reference.—For limitation on credit provided in paragraph (2) or (3) in the case of certain controlled corporations, see section 1561.”
(B) the taxpayer’s books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method.

The tax liability computed under the method shall be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property prospectively to the regulatory authority of that jurisdiction.

(3) Definitions.—For purposes of this subsection—

(A) EXCESS TAX RESERVE.—The term “excess tax reserve” means the excess of—

(1) the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986) as determined under the Internal Revenue Code of 1986 as in effect on the day before the date of the enactment of this Act, over

(2) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods.

(B) AVERAGE RATE ASSUMPTION METHOD.—The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, the dollar amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying—

(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by

(ii) the amount of the timing differences which reverse during such period.

(C) ALTERNATIVE METHOD.—The “alternative method” is the method in which the taxpayer—

(1) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and

(2) reduces the excess tax reserve ratably over the remaining regulatory life of the property.

(4) TAX INCREASED FOR NORMALIZATION VIOLATION.—If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting, the taxpayer’s tax for the taxable year shall be increased by the amount by which it reduces its excess tax reserve more rapidly than permitted under a normalization method of accounting.

SA 1845, Mr. INHOFE (for himself and Mr. LANKFORD) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 34, line 23, insert “In the case of any taxable year beginning after December 31, 2017, and before January 1, 2019, the preceding sentence shall not apply to any trust.” after “estate.”

SA 1846, Mr. KAINE (for himself, Mr. MANCHIN, Mrs. MCCASKILL, and Mr. BENNET) submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Beginning on page 96, strike line 7 and all that follows through page 97, line 14 and insert the following:

Subtitle B—Permanent Individual Income Tax Relief for Middle Class

SEC. 12001. AMENDMENT OF INCOME TAX BRACKETS.

(a) MARRIRED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.—The table contained in subsection (a) of section 1 is amended to read as follows:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $25,000</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>Over $25,000 but not over $77,400</td>
<td>$1,905, plus 12% of the excess over $25,000.</td>
</tr>
<tr>
<td>Over $77,400 but not over $140,000</td>
<td>$8,907, plus 22% of the excess over $77,400.</td>
</tr>
<tr>
<td>Over $140,000 but not over $200,000</td>
<td>$32,679, plus 24% of the excess over $140,000.</td>
</tr>
<tr>
<td>Over $200,000 but not over $400,000</td>
<td>$65,890, plus 32% of the excess over $200,000.</td>
</tr>
<tr>
<td>Over $400,000 but not over $680,050</td>
<td>$91,479, plus 35% of the excess over $400,000.</td>
</tr>
<tr>
<td>Over $680,050</td>
<td>$119,470, plus 39.6% of the excess over $680,050.</td>
</tr>
</tbody>
</table>

(b) HEADS OF HOUSEHOLDS.—The table contained in subsection (b) of section 1 is amended to read as follows:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $21,050</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>Over $21,050 but not over $77,000</td>
<td>$1,905, plus 12% of the excess over $21,050.</td>
</tr>
<tr>
<td>Over $77,000 but not over $140,000</td>
<td>$8,907, plus 22% of the excess over $77,000.</td>
</tr>
<tr>
<td>Over $140,000 but not over $200,000</td>
<td>$32,679, plus 24% of the excess over $140,000.</td>
</tr>
<tr>
<td>Over $200,000 but not over $400,000</td>
<td>$65,890, plus 32% of the excess over $200,000.</td>
</tr>
<tr>
<td>Over $400,000 but not over $680,050</td>
<td>$91,479, plus 35% of the excess over $400,000.</td>
</tr>
<tr>
<td>Over $680,050</td>
<td>$119,470, plus 39.6% of the excess over $680,050.</td>
</tr>
</tbody>
</table>

(5) Effect of Changes.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

SA 1847, Ms. CANTWELL submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURkowski)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

In section 20001(b)(2), strike subparagraph (B).

SA 1848, Ms. CANTWELL submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURkowski)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

(a) IN GENERAL.—Section 1(f), as amended by this Act, is amended to read as follows:

(1) The tax is:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $25,000</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>Over $25,000 but not over $77,400</td>
<td>$1,905, plus 12% of the excess over $25,000.</td>
</tr>
<tr>
<td>Over $77,400 but not over $140,000</td>
<td>$8,907, plus 22% of the excess over $77,400.</td>
</tr>
<tr>
<td>Over $140,000 but not over $200,000</td>
<td>$32,679, plus 24% of the excess over $140,000.</td>
</tr>
<tr>
<td>Over $200,000 but not over $400,000</td>
<td>$65,890, plus 32% of the excess over $200,000.</td>
</tr>
<tr>
<td>Over $400,000 but not over $680,050</td>
<td>$91,479, plus 35% of the excess over $400,000.</td>
</tr>
<tr>
<td>Over $680,050</td>
<td>$119,470, plus 39.6% of the excess over $680,050.</td>
</tr>
</tbody>
</table>

(2) Definition.—For purposes of this subsection—

(B) the term ‘professional stadium bond’ means any bond issued as part of an issue any proceeds of which are used to finance or refinance capital expenditures or the acquisition or development of a facility (or an appurtenant real property) which, during at least 5 years during any calendar year, is used as an arena or venue for professional sports exhibitions, or is otherwise used to provide for the operation, maintenance, and improvement of such arena or venue.
and Ms. Murkowski) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike title II and insert the following:

TI TLE II

SEC. 20001. LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OUT- SIDE CONSIDERATION REVENUE.

Section 105(f)(1) of the Gulf of Mexico Energy Security Act of 2006 (43 U.S.C. 1331 note; Public Law 109–432) is amended by striking '17' for '16' and inserting '16 through 2025'.

SEC. 20002. STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE.

(a) DRAWDOWN AND SALE.—

(1) IN GENERAL.—Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), except as provided in subsection (b), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve 25,000,000 barrels of crude oil during the period of fiscal years 2026 through 2027.

(2) DISPOSITION OF AMOUNTS RECEIVED FROM SALE.—The Secretary of the Treasury shall, in the year in which the sale occurs, deposit the amounts received from a sale under paragraph (1) in the general fund of the Treasury.

(b) LIMITATION.—The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which $1,000,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection.

SA 1849. Mr. BENNET submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Strike title II and insert the following:

STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE.

(a) DRAWDOWN AND SALE.—

(1) IN GENERAL.—Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), except as provided in subsection (b), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve 25,000,000 barrels of crude oil during the period of fiscal years 2026 through 2027.

(2) DISPOSITION OF AMOUNTS RECEIVED FROM SALE.—The Secretary of the Treasury shall, in the year in which the sale occurs, deposit the amounts received from a sale under paragraph (1) in the general fund of the Treasury.

(b) LIMITATION.—The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which $1,000,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection.

SA 1850. Mr. MCCONNELL (for Mr. RUBIO (for himself, Mr. LEE, Mr. SASSER, and Mr. KENNEDY)) proposed an amendment to amend section 161A of the Energy Policy and Conservation Act (42 U.S.C. 6241), as enacted by the Energy Policy and Conservation Act of 1970 (42 U.S.C. 6241 note; Public Law 91–166), as amended: in clause (ii), by striking "and"; (2) in clause (iii), by striking the period at the end and inserting "and"; and (3) by adding the following: "In the conduct of activities to modernize Strategic Petroleum Reserve facilities, including each of the Strategic Petroleum Reserve storage sites in the States of Louisiana and Texas."

SEC. 20003. AUTHORIZED USES OF ENERGY SECURITY AND INFRASTRUCTURE MODERNIZATION FUND.

(a) PURPOSE.—The purpose of this section is to amend the Bipartisan Budget Act of 2015 (Public Law 114–74; 129 Stat. 584)—

(1) to increase national security; and

(2) to increase the ability of the United States to respond to disasters.

(b) USE OF FUND.—Section 404(d)(2)(B) of the Bipartisan Budget Act of 2015 (42 U.S.C. 6242 note: Public Law 91–166, as amended) is amended by including in the general fund of the Treasury from sales authorized under that section.

(c) DRAWDOWN AND SALE.—

(1) IN GENERAL.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2) through (7).

(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting "$2,000" for "$1,000."

(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall—

(A) in the case of a joint return, $500,000, and

(B) in the case of an individual who is not married or a married individual filing a separate return, $500,000.

(4) DEFINITION OF QUALIFYING CHILD.—

Paragraph (1) of subsection (c) shall be applied by substituting "18" for "17."

(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

(A) IN GENERAL.—The credit determined under subsection (a)(1) (after the application of paragraph (2)) shall be increased by $500 for each qualifying child under the age of 18, and by $1,000 for each qualifying child under the age of 18 who is a full-time student, if the taxpayer includes the qualifying child as a dependent on the return of tax for the taxable year.

(B) EXCEPTION FOR CERTAIN NONCITIZENS.—

Subparagraph (A) shall not apply with respect to any noncitizen or nonresident alien who is not a dependent of the taxpayer.但在年份18中，这些非公民或非居民纳税人不得仅因在其他年份中是居民公民而获得信用。

(C) EFFECTIVE DATE.—The amendments made by paragraph (2) shall apply to tax years beginning after December 31, 2017, and before January 1, 2026.
"(2) CREDIT AMOUNT.—Subsection (a) shall be applied by substituting "$2,000" for "$1,000".

"(3) LIMITATION.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be:

"(A) in the case of a joint return, $500,000, and

"(B) in the case of an individual who is not married or a married individual filing a separate return, $250,000.

"(4) DEFINITION OF QUALIFYING CHILD.—Paragraph (1) of subsection (c) shall be applied by substituting '15' for '17'.

"(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

"(A) In general.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by $500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

"(B) Exception for certain noncitizens.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

"(6) PORTION OF CREDIT REFUNDABLE.—Subsection (d)(1)(B)(i) shall be applied by substituting:

"(A) 15.3 percent for '15 percent', and

"(B) $90 for '$3,000'.

"(7) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) (after the application of paragraph (4)) with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return of tax for the taxable year. For purposes of this paragraph, the term 'social security number' means a social security number issued to an individual by the Social Security Administration, but only if the social security number issued to an individual by the Social Security Administration is issued pursuant to clause (1) (or that portion of subsection (III) that relates to clause (1)) of section 205(c)(2)(B)(i) of the Social Security Act.'

"(8) INCREASE IN CORPORATE TAX RATE.—

Subsection (b) of section 11, as amended by section 13001 of this Act, is amended by striking "20 percent" and inserting "20.94 percent.".

"(9) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to contributions made after December 31, 2017.

"(10) OFFSET.—

(1) MODIFICATION OF RULES RELATING TO HARDSHIP WITHDRAWALS FROM CASH OR DEDUCTIBLE CONTRIBUTIONS.—Subparagraph (A) of section 529(e)(3) is amended by adding at the end the following:

"(ii) books or other instructional materials,

"(iii) online educational materials,

"(iv) tuition for tutoring or educational classes outside of the home (but only if the tutor or instructor is not related to the student),

"(v) dual enrollment in an institution of higher education, and

"(vi) educational therapies for students with disabilities in connection with a homeschool (whether treated as a homeschool or a private school for purposes of applicable State law).

"(2) LIMITATION.—Subparagraph (A) is amended by adding at the end the following:

"The amount of cash distributions from all qualified tuition programs described in subsection (b)(1) made by a beneficiary during any taxable year shall, in the aggregate, include not more than $10,000 in expenses described in subsection (c)(7) incurred during the taxable year."

"(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to contributions made after December 31, 2017.

"(c) OFFSET.—

(1) MODIFICATION OF RULES RELATING TO HARDSHIP WITHDRAWALS FROM CASH OR DEDUCTIBLE CONTRIBUTIONS.—Subparagraph (A) of section 529(e)(3) is amended by adding at the end the following:

"(i) $1,000 for '1,000'.

"(ii) $200,000 in the case of an individual filing a separate return, and $400,000 in the case of a joint return.

"(B) NO REQUIREMENT TO TAKE AVAILABLE LOAN.—A distribution shall not be treated as failing to be made upon the hardship of an employee solely because the employee does not take any available loan under the plan.'

"(2) CONFORMING AMENDMENT.—Section 401(k)(2)(B)(i)(IV) is amended to read as follows:

"(IV) subject to the provisions of paragraph (14), upon hardship of the employee, or'

"(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to plan years beginning after December 31, 2017.

"SA 1852. Mr. CORNYN (for Mr. CRUZ (for himself, Mr. COTTON, Mr. KENNEDY, and Mr. SASSER)) proposed an amendment to amend section 1251 of the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; as follows:

At the end of part IV of subtitle A of title I, use the following:

"SEC. 11003. 529 ACCOUNT FUNDING FOR ELEMENTARY AND SECONDARY EDUCATION.

(a) IN GENERAL.—

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

"(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this subsection to the term 'qualified higher education expense' shall include a reference to—

"(A) expenses for tuition in connection with enrollment or attendance at an elementary or secondary public, private, or religious school, and

"(B) expenses for—

"(i) instruction and curricular materials,

"(ii) books or other instructional materials,
TITLE I
SEC. 11000. SHORT TITLE, ETC.
(a) SHORT TITLE.—This title may be cited as the "Tax Cuts and Jobs Act".
(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this title an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

Subtitle A—Individual Tax Reform

PART I—TAX RATE REFORM

SEC. 11001. MODIFICATION OF RATES.
(a) IN GENERAL.—Section 1 is amended by adding at the end the following new subsection:

"(1) MODIFICATIONS FOR TAXABLE YEARS 2018 THROUGH 2025.—
"(A) IN GENERAL.—In the case of any taxable year beginning after December 31, 2017, and before January 1, 2018,
"(i) the tax computed under subsection (b) shall be modified by the following table in lieu of the table contained in subsection (c):
"(ii) the tax computed under subsection (b) shall be modified by the following table in lieu of the table contained in subsection (e):

(b) HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (d):

"(C) UNMARRIED INDIVIDUALS OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS.—The following table shall be applied in lieu of the table contained in subsection (f):
“(B) MODIFICATIONS TO APPLICABLE RATE BRACKETS.—In determining the amount of tax imposed by this section for the taxable year on a child described in subparagraph (A), the taxable income which is taxed at a rate below 24 percent shall not be more than the earned taxable income of such child.

“(ii) 35-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 35 percent shall not be more than the taxable income which is taxed at a rate below 39.6 percent in subparagraph (B) (without regard to this paragraph) be taxed at a rate below 35 percent.

“(iii) 38.5-PERCENT BRACKET.—The maximum taxable income which is taxed at a rate below 38.5 percent shall not be more than the taxable income which is taxed at a rate below 39.6 percent in subparagraph (A) (as adjusted under paragraph (3)) for the taxable year.

“(2) DETERMINATION FOR CALENDAR YEAR.—The determinations under subparagraph (A) for any calendar year under this subsection shall be the latest values so published as of the date on which such Bureau publishes the initial value of the Chained Consumer Price Index for All Urban Consumers for the month of August for the preceding calendar year.

“(3) COST-OF-LIVING ADJUSTMENT.—For purposes of applying section 1(h) (after the modifications under paragraph (5))—

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

“(A) the earned taxable income of such child,

“(B) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

“(C) the maximum 15-percent rate amount shall not be more than the sum of—

“(1) the earned taxable income of such child,

“(2) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

“(3) the maximum 15-percent rate amount.

“(3) MODIFICATIONS TO APPLICABLE RATE BRACKETS TO CAPITAL GAINS RATES.—For purposes of applying section 1(h) (after the modifications under paragraph (5))—

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

“(A) the earned taxable income of such child,

“(B) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

“(C) the maximum 15-percent rate amount shall not be more than the sum of—

“(1) the earned taxable income of such child,

“(2) the amount in effect under paragraph (5)(B)(i)(IV) for the taxable year, and

“(3) the maximum 15-percent rate amount.

“(5) EARNED TAXABLE INCOME.—For purposes of this paragraph, the term ‘earned taxable income’ means, with respect to any child for any taxable year, the taxable income of such child reduced (but not below zero) by the net unearned income (as defined for purposes of this paragraph, the term ‘earned income’ of such child).

“(6) C-CPI-U.—For purposes of this subsection, ‘the C-CPI-U’ means the Chained Consumer Price Index for All Urban Consumers as published by the Bureau of Labor Statistics of the Department of Labor.

“§ 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI

“(a) IN GENERAL.—Subsection (i) of section 1 is amended by striking paragraph (3) and by inserting after paragraph (2) the following new paragraph:

“(C) MODIFICATIONS TO APPLICABLE RATE BRACKETS.—For purposes of this subsection—

“(A) IN GENERAL.—The cost-of-living adjustment for any calendar year is the percentage (if any) by which—

“(i) the C-CPI-U for the preceding calendar year, exceeds

“(ii) the CPI for calendar year 2016, multiplied by the amount determined under subparagraph (B).’’

“(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

“SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI

“(a) IN GENERAL.—Subsection (i) of section 1 is amended by striking paragraph (3) and by inserting after paragraph (2) the following new paragraph:

“(C) MODIFICATIONS TO APPLICABLE RATE BRACKETS.—For purposes of this subsection—

“(A) IN GENERAL.—The cost-of-living adjustment for any calendar year is the percentage (if any) by which—

“(i) the C-CPI-U for the preceding calendar year, exceeds

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

“(B) AMOUNT DETERMINED.—The amount determined under this clause is the amount obtained by dividing—

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

“(ii) the CPI for calendar year 2016.

“(C) SPECIAL RULE FOR ADJUSTMENTS WITH RESPECT TO HEAD OF HOUSEHOLD FILING STATUS.—Subsection (g) of section 6865 is amended to read as follows:

“(g) FAILURE TO BE DILIGENT IN DETERMINING ELIGIBILITY FOR CERTAIN TAX BENEFITS.—Any person who is a tax return preparer who withholds a refund which fails to comply with due diligence requirements imposed by the Secretary by regulations with respect to determining—

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

“(2) eligibility for, or the amount of, the credit allowable by section 24, 25A(a)(1), or 25B.

“shall pay a penalty of $500 for each such failure.

“(d) APPLICATION TO OTHER INTERNAL REVENUE CODE PROVISIONS.—

“(1) The following sections are each amended by striking “for calendar year 1992” in subparagraph (B) and inserting “for calendar year 2016” in subparagraph (A)(ii):—

“(A) Section 23(b)(2).

“(B) Paragraphs (1)(A)(ii) and (2)(A)(i) of section 25A(b).

“(C) Section 25B(b)(3).B.

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

“(E) Section 36B(b)(2)(B)(ii).II.

“(F) Section 41(e)(5)(C)(i).


“(I) Section 55(j)(4)(A)(i).II.


“(K) Section 63(c)(4)(A).

“(L) Section 121(1)(C).

“(M) Section 125(1)(C).

“(N) Section 135(b)(2)(B).II.

“(O) Section 137(h).II.

“(P) Section 146(d)(2)(B).

“(Q) Section 147(c)(2)(H).II.

“(R) Section 151(d)(4)(B).

“(S) Section 201(b)(6)(A).III.

“(T) Subsections (b)(5)(C)(i)(II) and (g)(8)(B) of section 219.

“(U) Section 220(g)(2).

“(V) Section 221(f)(1)(B).

“(W) Section 222(g)(1).

“(X) Section 408(a)(5)(D).(ii).

“(Y) Section 430(b)(6)(T).II.

“(Z) Section 512(d)(2)(B).

“(AA) Section 811(b)(2)(D).II.


“(CC) Section 1009(c)(3)(B).II.

“(DD) Section 2012(A)(3).

“(EE) Section 2503(b)(2)(B).

“(FF) Section 2461(e)(4)(A).II.

“(GG) Section 5000(a)(3)(D)(II).

“(HH) Section 6221(1)(B).

“(II) Section 6334(g)(1)(B).

“(JJ) Section 6601(3).

“(KK) Section 6651(1).

“(LL) Section 6652(c)(2).

“(MM) Section 6666(h)(1).

“(NN) Section 6698(e)(1).

“(OO) Section 6699(e)(1).

“(PP) Section 6721(f).

“(QQ) Section 6722(f).

“(RR) Section 7345(f).II.

“(SS) Section 7430(c)(1).

“(TT) Section 8631(d)(1)(II).

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

“(A) by striking “(1)(ii)” and inserting “(1)(i)(II)” and

“(B) by striking “1992” and inserting “2016”,

“(3) Sections 42(b)(6)(G) is amended—

“(A) by striking “for calendar year 1997” in clause (i)(II) and inserting “for calendar year 2016” in subparagraph (A)(ii) thereof, and

“§ 11007. APPLICATION TO TAXABLE YEARS BEGINNING AFTER 2017

“(a) IN GENERAL.—This section applies to taxable years beginning after December 31, 2017.
(B) by striking “if the CPI for any calendar year” and all that follows in clause (ii) and inserting “if the C-CPI-U for any calendar year (as defined in section 1(f)(6)) exceeds the C-CPI-U of any preceding calendar year by more than 5 percent, the C-CPI-U for the base calendar year shall be increased such that such excess shall never be taken into account.”. In the case of a base calendar year before 2017, the C-CPI-U for such year shall be determined by multiplying the CPI for such year by the amount determined under subparagraph (A)(ii) by an amount equal to—

(A) such amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting “calendar year 1990” for “calendar year 2016” in subparagraph (A)(ii) thereof.

(7) So much of clause (ii) of section 1(f)(3)(B) as precedes the last sentence is amended to read as follows:—

“(ii) the medical care component of the C-CPI-U (as defined in section 1(f)(3)(B)), for August of the preceding calendar year, is—

(A) such component of the CPI (as defined in section 1(f)(3)(B)), for August of 1990, multiplied by the amount determined under section 1(f)(3)(B)(ii).

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

“(B) AUTOMOBILE PRICE INFLATION ADJUSTMENT.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the percentage (if any) by which—

“(I) the medical care component of the C-CPI-U (as defined in section 1(f)(3)(B)) for August of the preceding calendar year, exceeds

“(II) such component of the CPI (as defined in section 1(f)(3)(B)) for August of 1990, multiplied by the threshold amount.

(9) Section 911(b)(2)(D)(ii)(I) is amended by striking “for ‘1992’ in subparagraph (B)” and inserting “for ‘2016’ in subparagraph (A)(ii).”.

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

“(2) ADJUSTMENT FOR INFLATION.—In the case of any loan made during any calendar year after 1989, each dollar amount contained in the preceding provisions of this section shall be increased by an amount equal to—

“(A) such amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting “calendar year 1990” for “calendar year 2016” in subparagraph (A)(ii) thereof.

(11) Section 4161(b)(2)(C)(i)(II) is amended by striking “for ‘1992’ in subparagraph (B)” and inserting “for ‘2016’ in subparagraph (A)(ii).”.

(12) Section 4980(b)(3)(C)(v)(II) is amended by striking “for ‘1992’ in subparagraph (B)” and inserting “for ‘2016’ in subparagraph (A)(ii).”.

(13) Section 6509(f) is amended by striking “for calendar year 2016” and inserting “for calendar year 2016” in subparagraph (A)(ii) thereof.

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

“(B) PHASE-INS OF LIMIT FOR CERTAIN TAXPAYERS.—

“(i) IN GENERAL.—If—

“(I) the taxable income of a taxpayer for any taxable year exceeds the threshold amount, but does not exceed the sum of the threshold amount plus $100,000 (in the case of a joint return), and

“(II) the amount determined under paragraph (2) (determined without regard to this paragraph) with respect to any qualified trade or business carried on by the taxpayer is less than the amount determined under paragraph (2)(A) with respect to such trade or business, then paragraph (2) shall be applied with respect to such trade or business without regard to subparagraph (B) thereof and by reducing the amount determined under subparagraph (A) thereof by the amount determined under clause (ii). (B) LIMITATION TO WAGES ATTRIBUTABLE TO QUALIFIED BUSINESS INCOME.—Such term shall not include any amortization of the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer for any taxable year in which the amount treated as a loss shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

“(C) QUALIFIED BUSINESS INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified business income’ means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer for any taxable year in which the amount treated as a loss shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

“(E) EXCESS AMOUNT.—For purposes of clause (i), the excess amount is the excess of—

“(i) the amount determined under paragraph (2)(A) (determined without regard to this paragraph), over

“(ii) the amount determined under paragraph (2)(B) (determined without regard to this paragraph).

“(4) WAGES, ETC.—

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

“(B) LIMITATION ON WAGES ATTRIBUTABLE TO QUALIFIED BUSINESS INCOME.—Such term shall not include any amount attributable to the proper allocable to qualified business income for purposes of subsection (c)(1).

“(E) RETURN REQUIREMENTS.—Such term shall not include any amount which is not properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.

“(F) ACQUISITIONS, DISPOSITIONS, AND SHORT TAXABLE YEARS.—The Secretary shall provide for the application of this subsection in cases of a short taxable year or where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

“(G) QUALIFIED BUSINESS INCOME.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified business income’ means, for any taxable year, the net amount of qualified items of income, gain, deduction, and loss with respect to any qualified trade or business of the taxpayer for any taxable year in which the amount treated as a loss shall be treated as a loss from a qualified trade or business in the succeeding taxable year.

“(2) MODIFICATIONS TO THE WAGE LIMIT BASED ON TAXABLE INCOME.—

“(A) EXCESS WAGE LIMIT.—In the case of any taxpayer whose taxable income for the taxable year does not exceed the threshold amount, paragraph (2) shall be applied without regard to subparagraph (B).

“(B) PHASE-IN OF LIMIT FOR CERTAIN TAXPAYERS.—

“(i) IN GENERAL.—If—

“(I) the taxable income of a taxpayer for any taxable year exceeds the threshold amount, but does not exceed the sum of the threshold amount plus $100,000 (in the case of a joint return), and

“(II) the amount determined under paragraph (2) (determined without regard to this paragraph) with respect to any qualified trade or business carried on by the taxpayer is less than the amount determined under paragraph (2)(A) with respect to such trade or business, then paragraph (2) shall be applied with respect to such trade or business without regard to subparagraph (B) thereof and by reducing the amount determined under subparagraph (A) thereof by the amount determined under clause (ii). (B) LIMITATION TO WAGES ATTRIBUTABLE TO QUALIFIED BUSINESS INCOME.—Such term shall not include any amount attributable to the proper allocable to qualified business income for purposes of subsection (c)(1).
"(A) IN GENERAL.—The term ‘qualified items of income, gain, deduction, and loss’ means items of income, gain, deduction, and loss to the extent such items are—

(i) included with the conduct of a trade or business within the United States (within the meaning of section 864(c)), determined by substituting ‘qualified trade or business conduct’ for ‘controlled foreign corporation’ or for ‘a foreign corporation’ each place it appears, and

(ii) included or allowed in determining taxable income for the taxable year.

(B) EXCEPTIONS.—The following investment items shall not be taken into account as a partner's allocable share of any such item of income, gain, deduction, or loss:

(i) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss.

(ii) Any dividend, income equivalent to a dividend, or payment in lieu of dividends deemed to be dividend income which is properly allocable to the taxable year in excess of the threshold amount, zero percent reduced (not below zero) by the percentage equal to the ratio of—

(v) the taxable income of the taxpayer for the taxable year in excess of the threshold amount, zero percent reduced (not below zero) by the percentage equal to the ratio of—

(vi) Any amount received from an annuity which is not received in connection with a trade or business.

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

(4) TREATMENT OF REASONABLE COMPENSATION AND GUARANTEED PAYMENTS.—Qualified business income shall not include—

(A) reasonable compensation paid to the taxpayer by any qualified trade or business of the taxpayer for services rendered with respect to the trade or business;

(B) any guaranteed payment described in section 707(c)(1)(F) (applied by substituting ‘qualified trade or business’ for ‘controlled foreign corporation’);

(C) Any item of income, gain, deduction, or loss taken into account under section 954(c)(1)(F) (determined without regard to clause (ii) thereof and other than items attributable to notional principal contracts entered into in transactions qualifying under section 1221(a)(7))

(D) Any amount received from an annuity which is not received in connection with a trade or business.

(E) Any item of deduction or loss properly allocable to an amount described in any of the preceding clauses.

(5) TAXABLE INCOME.—Taxable income shall be computed without regard to the deduction allowable under this section.

(6) THRESHOLD AMOUNT.—

(A) IN GENERAL.—The term ‘threshold amount’ means $250,000 (200 percent of such amount in the case of a joint return).

(B) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after calendar year 2018, the dollar amount in paragraph (a) (applied by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof).

(C) COORDINATION WITH MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, qualified business income shall be determined without regard to any adjustments under sections 56 through 58.

(7) DEDUCTION LIMITED TO INCOME TAXES.—The deduction under subsection (a) shall only be allowed for purposes of this chapter.

(8) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including—

(A) for requiring or restricting the allocation of items and wages under this section and such reporting requirements as the Secretary determines appropriate, and

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

(9) DEDUCTION ALLOWED TO SPECIFIED AGRICULTURAL OR HORTICULTURAL COOPERATIVES.—

(A) IN GENERAL.—The term ‘qualified agricultural or horticultural cooperative’ means any organization which is governed under this title by the rules applicable to cooperatives under this title before the enactment of subchapter T.

(B) SPECIFIED COOPERATIVE.—

(1) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

(A) IN GENERAL.—In the case of a partnership or S corporation—

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

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

(iii) each partner or shareholder shall be treated as having W-2 wages for the taxable year in an amount equal to such person’s allocable share of the W-2 wages of the partnership or S corporation for the taxable year (as determined under regulations prescribed by the Secretary).

(B) TERMINATION.—This section shall not apply to taxable years beginning after December 31, 2025.

(2) APPLICATION TO PUBLICLY TRADED PARTNERSHIPS.—

(A) IN GENERAL.—Section 198A(b)(1)(B), as added by subsection (a), is amended by striking ‘and qualified cooperative dividends’
and inserting "qualified cooperative dividends, and qualified publicly traded partnership income".

(2) **QUALIFIED PUBLICLY TRADED PARTNERSHIP.—** Section 199A(e), as added by subsection (a), is amended by adding at the end the following new paragraph:

"(5) QUALIFIED PUBLICLY TRADED PARTNERSHIP.—As used in this section, the term "qualified publicly traded partnership income" means, with respect to any qualified trade or business of a taxpayer, the sum of—

"(A) the net amount of such taxpayer's allocable share of each qualified item of income, gain, deduction, and loss (as defined in subsection (c)(3) and determined after the application of paragraph (c)(4)) from a publicly traded partnership (as defined in section 7704(a)) which is not treated as a corporation under section 7704(c), plus

"(B) from a partnership in which the taxpayer is not a partner, the amount determined by the partnership upon disposition of its interest in such partnership to the extent such gain is treated as an amount realized from the sale or exchange of property other than a capital asset under section 751(a)."

(3) **CONFORMING AMENDMENT.—**Section 199A(a)(1), as added by subsection (a), is amended by inserting at the end the following new sentence: "Such term shall not include any qualified publicly traded partnership income.".

(c) **ACCURACY-RELATED PENALTY ON DETERMINATION OF APPLICABLE PERCENTAGE.—**Section 6662(d)(1) is amended by inserting at the end the following new subparagraph:

"(v) SPECIAL RULE FOR TAXPAYERS CLAIMING SECTION 199A DEDUCTION.—In the case of any taxpayer who claims the deduction allowed under section 199A for the taxable year, subparagraph (A) shall be applied by substituting '5 percent' for '10 percent'."

(d) **CONFORMING AMENDMENTS.—**

(1) Section 170(b)(2)(D) is amended by striking "" and inserting ".

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

"(C) QUALIFIED BUSINESS INCOME DEDUCTION.—The deduction under section 199A shall not be allowed.""

(3) Section 246(b)(1) is amended by inserting "199A," before "243A(a)(1)"

(4) Section 263A(b)(3)(A) is amended by inserting "and without the deduction under section 199A after " and "without the deduction under section 199A.""

(5) Section 613A(d)(1) is amended by redesignating subparagraphs (C), (D), and (E) as subparagraphs (D), (E), and (F), respectively, and by inserting after subparagraph (B), the following new subparagraph:

"(C) any deduction allowable under section 199A.""

(6) The table of parts for section VI of subchapter C of chapter 1 is amended by inserting at the end the following new item: "Sec. 199A. Qualified business income.".

(e) **EFFECTIVE DATE.—**The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11012. LIMITATION ON LOSSES FOR TAXPAYERS OTHER THAN CORPORATIONS.

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

"(1) LIMITATION ON EXCESS BUSINESS LOSSES OF NONCORPORATE TAXPAYERS.—

"(1) LIMITATION.—In the case of taxable year beginning after December 31, 2017, and before January 1, 2026—

"(A) subsection (j) (relating to limitation on excess farm losses of certain taxpayers) shall not apply, and

"(B) any excess business loss of the taxpayer for the taxable year shall not be allowed.

"(b) **DISALLOWED LOSS CARRYOVER.—**Any loss which is disallowed under paragraph (1) shall be treated as a net operating loss carryover to the following taxable year under section 172.

"(c) **EXCESS BUSINESS LOSS.—**For purposes of this subsection:

"(A) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

"(i) the aggregate deductions of the taxpayer attributable to trades or businesses of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)), over

"(ii) the sum of—

"(I) the aggregate gross income or gain of such taxpayer for the taxable year which is attributable to such trades or businesses, plus

"(II) $250,000 (200 percent of such amount in the case of a joint return).

"(B) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after December 31, 2018, the $250,000 amount in subparagraph (A)(ii) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2017' for '2016' in subparagraph (A)(ii) thereof.

"(C) LIMITATION.—In lieu of the amount determined under subparagraph (A)(ii), the threshold amount shall be $500,000.

"(D) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS OR S CORPORATIONS.—In the case of a partnership or S corporation—

"(A) this subsection shall be applied at the partner or shareholder level, and

"(B) each partner's or shareholder's allocable share of the items of income, gain, deduction, or loss of the partnership or S corporation shall be taken into account by the partner or shareholder in applying this subsection to the share of such taxpayer's partner or shareholder with or within which the taxable year of the partnership or S corporation ends.

"For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the shareholder's pro rata share of an item.

"(E) ADDITIONAL REPORTING.—The Secretary shall prescribe such additional reporting requirements as the Secretary determines appropriate to carry out the purposes of this subsection.

"(F) COORDINATION WITH SECTION 469.—This subsection shall be applied after the application of section 469.

"(g) **EFFECTIVE DATE.—**The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART III—TAX BENEFITS FOR FAMILIES AND INDIVIDUALS

SEC. 11021. INCREASE IN STANDARD DEDUCTION.

(a) **IN GENERAL.—**Section 21(a) is amended by adding at the end the following new paragraph:

"(4) CREATION OF INCREASED STANDARD DEDUCTION.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this section shall be applied as provided in paragraphs (2), (3), (5), (6), (7), and (8). In the case of a taxable year beginning after December 31, 2024, and before January 1, 2025, this section shall be applied as provided in paragraph (4).

"(5) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

"(D) Partial Credit Allowed for Certain Other Dependents.—

"(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by $500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

"(B) EXCEPTION FOR CERTAIN NONCITIZENS.—

Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

"(C) **MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—**

"(A) IN GENERAL.—Subsection (d)(1)(A) shall be applied without regard to paragraphs (2) and (5) of this subsection.

"(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after 2017, subsection (d)(1)(A) shall be applied as if the $1,000 amount in subsection (a) were increased (but not to exceed the amount under paragraph (2) of this subsection) by an amount equal to

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.

Any increase determined under the preceding sentence is not a multiple of $1,000, the old amount shall be rounded to the nearest multiple of $1,000.

"(d) **INCREASE IN AND MODIFICATION OF CHILD TAX CREDIT.**

"(A) IN GENERAL.—Section 24 is amended by adding at the end the following new subsection:

"(8) **CHILD TAX CREDIT.—**

"(A) INCREASE IN STANDARD DEDUCTION.—

"(1) the amount equal to—

"(I) by substituting "$12,000" for "$3,000" in subparagraph (B), and

"(II) by substituting "$12,000" for "$3,000" in subparagraph (C).

"(B) ADJUSTMENT FOR INFLATION.—

"(i) IN GENERAL.—Paragraph (4) shall not apply.

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2017' for '2016' in paragraph (4).

"(D) PARTIAL CREDIT ALLOWED FOR CERTAIN OTHER DEPENDENTS.—

"(A) IN GENERAL.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by $500 for each dependent of the taxpayer other than a qualifying child described in subsection (c) (after the application of paragraph (4)).

"(B) EXCEPTION FOR CERTAIN NONCITIZENS.—

Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

"(C) **MAXIMUM AMOUNT OF REFUNDABLE CREDIT.—**

"(A) IN GENERAL.—Subsection (d)(1)(A) shall be applied without regard to paragraphs (2) and (5) of this subsection.

"(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after 2017, subsection (d)(1)(A) shall be applied as if the $1,000 amount in subsection (a) were increased (but not to exceed the amount under paragraph (2) of this subsection) by an amount equal to

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.

Any increase determined under the preceding sentence is not a multiple of $1,000, the old amount shall be rounded to the next highest multiple of $100.

"(E) **EARNED INCOME THRESHOLD FOR REFUNDABLE CREDIT.—**Subsection (d)(1)(B)(i) shall be applied by substituting "$2,500" for "$3,000".

"(F) **SOCIAL SECURITY NUMBER REQUIRED.—**

No credit shall be allowed under subsection (c) with respect to any qualifying child unless the taxpayer includes the social security number of such child on the
return of tax for the taxable year. For purposes of the preceding sentence, the term ‘social security number’ means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued to a citizen of the United States or is issued pursuant to subsection (I) or that portion of subsection (II) to subclause (I) of section 2505(c)(2)(B)(i) of the Social Security Act.’’

(b) **Effective Date.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARITABLE CONTRIBUTIONS.

(a) In General.—Section 170(b)(1) is amended by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph:

’’(G) INCREASED LIMITATION FOR CASH CONTRIBUTIONS.—

’’(i) In General.—In the case of any contribution of cash to an organization described in subparagraph (A), the total amount of such contributions which may be taken into account under subsection (a) for any taxable year beginning after December 31, 2017, and before January 1, 2026, shall not exceed 60 percent of the taxpayer’s contributor base for such year.

’’(ii) Carryover.—If the aggregate amount of contributions described in clause (i) exceeds the limitation under clause (i) for any taxable year described in such clause, such excess shall be treated (in a manner consistent with the rules of subsection (d)(1)) as a charitable contribution to which clause (i) applies in each of the 5 succeeding years in order of time.

’’(iii) Coordination with subparagraphs (A) and (B).—

’’(I) In General.—Contributions taken into account under this subparagraph shall not be taken into account under subparagraph (A).

’’(II) Limitation Reduction.—For each taxable year described in clause (i), and each taxable year to which any contribution under this subparagraph is carried over under clause (ii), subparagraph (A) shall be applied by reducing (but not below zero) the contribution limitation allowed for the taxable year under such subparagraph by the aggregate contributions allowed under this subparagraph for such taxable year, and subparagraph (B) shall be applied by treating any reference to subparagraph (A) as a reference to both subparagraph (A) and this subparagraph.’’

(b) **Effective Date.**—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2017.

SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS.

(a) **Increase in Limitation for Contributions from Compensation of Individuals With Disabilities.**—

In general—Section 529A(b)(2)(B) is amended to read as follows:

’’(B) except in the case of contributions under subsection (c)(1)(C), if such contribution to an ABLE account would result in aggregate contributions from all contributors to the ABLE account for the taxable year exceeding the sum of—

’’(i) the amount in effect under section 2505(b) for the calendar year in which the taxable year begins, plus

’’(ii) in the case of any contribution by a designated beneficiary described in paragraph (7) before January 1, 2026, the lesser of—

’’(I) compensation (as defined by section 219(f)(1)) that relates to subclause (I) of section 205(c)(2)(B)(i) of the Social Security Act; and

’’(II) an amount equal to the poverty line for a one-person household, as determined for the calendar year preceding the calendar year in which the taxable year begins;’’

(b) **Effective Date.**—Paragraph (2) of section 529A(b) is amended by adding at the end the following:

’’(7) SPECIAL RULES RELATED TO CONTRIBUTION LIMIT.—For purposes of paragraph (2)(B)(ii),—

’’(A) Designated beneficiary.—A designated beneficiary described in this paragraph is an employee (including an employee within the meaning of section 401(c)) with respect to which the requirements of subparagraph (B)(ii) are met.

’’(B) No contribution for taxable year.—If the aggregate contributions from all contributors to an ABLE account (as defined in section 529A(e)(6)) of which such individual is the designated beneficiary or a member of the family of the designated beneficiary, exceeds the limitation under subparagraph (B)(ii), such individual is the designated beneficiary.’’

(c) **Effective Date.**—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

SEC. 11025. ROLL-OVERS TO ABLE PROGRAMS.

(a) In General.—Clause (i) of section 529(c)(3)(C) is amended by striking ''or'' at the end and inserting ''and''.

(b) **Effective Date.**—The amendments made by this section shall apply to rollovers made by a taxpayer by substituting '7.5 percent' for '10 percent'.

SEC. 11026. TREATMENT OF CERTAIN INDIVIDUALS PERFORMING SERVICES IN THE SINAI PENINSULA OF EGYPT.

(a) In General.—For purposes of the following provisions of the Internal Revenue Code of 1986, with respect to the applicable taxable period, a taxpayer who is a member of the Armed Forces of the United States stationed to special pay under section 310 of title 32, United States Code (relating to special pay subject to imminent danger), for services performed in such location, such term includes such location only during the period such entitlement is in effect.

(b) **Effective Date.**—The amendment made by this section shall apply to taxable years beginning after January 1, 2026.

SEC. 11027. EXTENSION FOR FAXER OF LIMITATIONS WITH RESPECT TO EXCLUD—

(a) In General.—Section 304(d) of the Protecting Americans from Tax Hikes Act of 2015 (26 U.S.C. 139F note) is amended by striking '1-year' and inserting '2-year'.

(b) **Effective Date.**—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 11028. TEMPORARY REDUCTION IN MEDICAL EXPENSE DEDUCTION FLOOR.

(a) In General.—Subsection (f) of section 213 is amended to read as follows:

’’(f) SPECIAL RULES FOR 2013 THROUGH 2016.—In the case of any taxable year beginning after December 31, 2012, and ending before January 1, 2017, in the case of a taxpayer if such taxpayer or such taxpayer’s spouse has attained age 65 before the close of such taxable year, the floor described in subsection (b)(2) shall be equal to 10 percent of such base.

(b) **Minimum Tax Preference Not to Apply.**—Section 56(b)(1) is amended by adding at the end the following new sentence:’’This subparagraph shall not apply to—
SEC. 11029. RELIEF FOR 2016 DISASTER AREAS.

(a) In general.—For purposes of this section, the term ‘‘2016 disaster area’’ means any area with respect to which a major disaster is declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act during calendar year 2016.

(b) Treatment of Use of Retirement Funds With Respect to Areas Damaged by 2016 Disasters.—

(1) Tax-favored withdrawals from retirement plans.—

(A) In general.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to any qualified 2016 disaster distribution.

(B) Aggregate dollar limitation.—

(i) In general.—For purposes of this subsection, the aggregate amount of distributions received by an individual which may be treated as qualified 2016 disaster distributions for any taxable year shall not exceed the excess (if any) of—

(I) $100,000, over

(ii) aggregate amounts treated as qualified 2016 disaster distributions received by such individual for all prior taxable years.

(ii) Qualified 2016 disaster distribution.—If a distribution to an individual would (without regard to clause (i)) be a qualified 2016 disaster distribution, a plan shall not be treated as violating any requirement of this title merely because the plan treats such distribution as a qualified 2016 disaster distribution, unless the aggregate amount of such distributions as a qualified 2016 disaster distribution shall not be treated as eligible rollover distributions as defined in section 408(d)(3) of the Internal Revenue Code of 1986.

(2) Provisions relating to plan amendments.—

(A) In general.—Section 402(c)(1), 402(f), and 402(h) of the Internal Revenue Code of 1986, qualified 2016 disaster distribution shall not be treated as eligible rollover distributions.

(B) Qualified 2016 disaster distributions treated as meeting plan distribution requirements.—For purposes of the Internal Revenue Code of 1986, qualified 2016 disaster distribution shall be treated as meeting the requirements of sections 402(c)(1), 402(f), and 402(h) of the Internal Revenue Code of 1986.

(3) Provisions relating to plan amendments.—

(A) In general.—If this paragraph applies to any amendment to any plan or annuity contract, such plan or contract shall be treated in accordance with the terms of the plan during the period described in subparagraph (B)(i)(I).

(B) Amendments to which subsection applies.—

(i) In general.—This paragraph shall apply to any amendment to any plan or annuity contract which, pursuant to any provision of this section, or pursuant to any regulation under any provision of this section: and

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

In the case of a governmental plan (as defined in section 437 of the Higher Education Act of 1965) or the parallel benefit under part D of title XVIII of such Act (relating to the repayment of loan liability),

(ii) pursuant to section 437 of the Higher Education Act of 1965 or the parallel benefit under part D of title XVIII of such Act (relating to the repayment of loan liability),
(B) Loans described.—A loan is described in this subparagraph if such loan is—

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

(ii) a private education loan (as defined in section 130(f)(7) of the Consumer Credit Protection Act (15 U.S.C. 1650(7))).

(b) Effective Date.—The amendment made by this section shall apply to discharges of indebtedness after December 31, 2017.

SEC. 11002. INCREASE IN DEDUCTION FOR TEACHER EXPENSES.

(a) In General.—Subparagraph (D) of section 62(a)(2) is amended by striking "$250 and inserting "$250 ($500 in the case of taxable years beginning after December 31, 2017, and before January 1, 2026)."

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART V—DEDUCTIONS AND EXCLUSIONS

SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

(a) In General.—Subsection (d) of section 151 is amended—

(1) by striking "January 1, 2026—beginning after December 31, 2017, and before January 1, 2026.";

(2) by striking paragraph (4) and inserting "Except as provided in paragraph (5), in the case of—

(III) the amount of any calendar year beginning after 2018, the exemption amount under section 151(d) is zero, paragraph (2) shall not apply, and such individual and such individual’s spouse, for the taxable year beginning after December 31, 2017, and before January 1, 2026;

(IV) the amount of any calendar year beginning after 2018, the exemption amount under section 151(d) is zero, paragraph (2) shall not apply, and such individual and such individual’s spouse, for the taxable year beginning after December 31, 2017, and before January 1, 2026;"

(b) Application to Estates and Trusts.—Section 662(b)(2)(C) is amended by adding at the end the following new clause:

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such tax year begins, determined by substituting "2017" for "2016" in subparagraph (A)(ii) thereof.

If any increase determined under the preceding sentence is not a multiple of $100, such increase shall be rounded to the nearest lowest multiple of $100.

(b) In General.—In the case of any tax year in which the exemption amount under section 151(d) is zero, paragraph (2) shall not apply.

(c) Exception for Wage Withholding Rules.—Section 3402(a) is amended by adding at the end the following new paragraph:

"(D) subsection (a)(3) shall not apply, and for purposes of subsection (a)(1), for any loss described in subsection (c)(3) which is allowed only to the extent it is attributable to a Federally declared disaster (as defined in section 165) in excess of the amount in effect under section 63(c)(5) which is earned income in excess of the amount in effect under section 63(c)(5)."

(f) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

(a) In General.—Subsection (a) of section 164 is amended by adding at the end the following new paragraph:

"(G) SUSPENSION OF DEDUCTION FOR STATE AND LOCAL, ETC. TAXES.

SEC. 11043. SUSPENSION OF DEDUCTION FOR HOME EQUITY INTEREST.

SEC. 11044. MODIFICATION OF DEDUCTION FOR PERSONAL CASUALTY LOSSES.

SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED DEDUCTIONS.
SEC. 11051. LIMITATION ON WAGERING LOSSES.
(a) In General.—Section 165(d) is amended by adding at the end the following sentence: “For purposes of the preceding sentence, in the case of taxable years beginning after December 31, 2017, and before January 1, 2026, the term ‘losses from wagering transactions’ includes any deduction otherwise allowable under this chapter in connection with carrying on any wagering transaction.”.
(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

PART VI—INCREASE IN ESTATE AND GIFT TAX EXEMPTION

SEC. 11061. INCREASE IN ESTATE AND GIFT TAX EXEMPTION.
(a) In General.—Section 2010(c)(3) is amended by adding at the end the following new subparagraph:

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(C) INCREASE IN BASIC EXCLUSION AMOUNT.—In the case of estates of decedents dying or gifts made after December 31, 2017, and before January 1, 2026, subparagraph (A) shall be amended by substituting ‘$10,000,000’ for ‘$5,000,000’.
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(b) Effective Date.—The amendment made by this section shall apply to sales and exchanges after December 31, 2017.

SEC. 11062. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.
(a) In General.—Section 213(g) is amended by adding a new subsection:

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(4) Suspension of qualified moving expense reimbursement exclusion.—(A) the basic exclusion amount under section 213(c)(3)(D) shall be substituted for ‘12 months’; and (B) the basic exclusion amount under section 213(c)(3)(E) shall be substituted for ‘12 months’.
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(b) Effective Date.—The amendment made by this section shall apply to years beginning after December 31, 2017.

SEC. 11063. SUSPENSION OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.
(a) In General.—Section 213(g)(1) is amended by adding the following new paragraph:

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(4) Suspension of qualified moving expense reimbursement exclusion.—(A) the basic exclusion amount under section 213(c)(3)(D) shall be substituted for ‘12 months’; and (B) the basic exclusion amount under section 213(c)(3)(E) shall be substituted for ‘12 months’.
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(b) Effective Date.—The amendment made by this section shall apply to years beginning after December 31, 2017.

SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING IRS MEASUREMENT OF AWARDS.
(a) Extension of Time for Return of Property Subject to Liens.—Subsection (b) of section 6633 is amended by inserting “9 months” and inserting “2 years”.
(b) Period of Limitation on Suits.—Subsection (c) of section 6501 is amended—

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(1) by striking “9 months” in paragraph (1) and inserting “2 years”, and (2) by striking “9 months” in paragraph (2) and inserting “2 years”.
```
(c) Effective Date.—The amendment made by this section shall apply to returns made on or before the dates specified in such subsection as of such date.

SEC. 11072. MODIFICATION OF USER FEE REQUIREMENTS FOR INSTALLMENT AGREEMENTS.
(a) In General.—Section 6159 is amended by redesignating subsection (f) as subsection (g) and by inserting after subsection (f) the following new subsection:

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(1) LIMITATION ON FEE AMOUNT.—The amount of any fee imposed on an installment agreement under this section may not exceed the amount of such fee as in effect on the date of the enactment of this section.
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(b) Effective Date.—The amendments made by this section shall apply to installment agreements entered into after the date which is 60 days after the date of the enactment of this Act.

SEC. 11073. ATTORNEYS’ FEES RELATING TO AWARDS TO WHISTLEBLOWERS.
(a) In General.—Paragraph (2) of section 62(a) is amended to read as follows:

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(2) Attorney’s fees relating to awards to whistleblowers.—(A) In general.—Any deduction allowable under this chapter for attorney fees and cost of court proceedings shall be allowable under this chapter for attorney fees and cost of court proceedings relating to—
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(b) Effective Date.—The amendments made by this section shall apply to years beginning after December 31, 2017.

SEC. 11074. CLARIFICATION OF WHISTLEBLOWER AWARDS.
(a) Definition of Proceeds.—

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(1) In general.—Section 7623 is amended by adding at the end the following new subsection:
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(b) Conforming Amendments.—Paragraphs (1) and (2) of section 7623(a) are each amended by inserting “(or any additional amounts) resulting from the

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(2) CONFORMING AMENDMENTS.—Paragraphs (1) and (2) of section 7623(a) are each amended by inserting “(or any additional amounts) resulting from the
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action” and inserting “proceeds collected as a result of the action”.

(b) AMOUNT OF PROCEEDS DETERMINED WITHOUT REGARD TO AVAILABILITY.—Paragraph (2) of section 7628(b) is amended by inserting “(determined without regard to whether such proceeds are available to the Secretary)” after “in response to such action”.

(c) DISPUTED AMOUNT THRESHOLD.—Section 7628(b)(5)(B) is amended by striking “tax, penalties, interest, additions to tax, and additions by inserting “proceeds”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to information provided before, on, or after the date of the enactment of this Act with respect to which a final determination for an award has not been made before such date of enactment.

PART VIII—INDIVIDUAL MANDATE

SEC. 11061. ELIMINATION OF SHARED RESPONSIBILITY FINES FOR INDIVIDUALS FAILING TO MAINTAIN MINIMUM ESSENTIAL COVERAGE.

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

(1) in paragraph (2)(B)(i)(I), by striking “2.5 percent” and inserting “Zero percent”, and

(2) in paragraph (3)(A), by striking “$955” in subparagraph (A) and inserting “$9”, and

(b) CONFORMING AMENDMENTS.—The amendments made by this section shall apply to months beginning after December 31, 2018.

Subtitle B—Alternative Minimum Tax

SEC. 12001. INCREASED EXEMPTION FOR INDIVIDUALS.

(a) INCREASED EXEMPTION.—Section 55(c) is amended by adding at the end the following paragraph:

“(5) SPECIAL RULE FOR TAXABLE YEARS BEGINNING AFTER 2016 AND BEFORE 2026.—

“(A) IN GENERAL.—In the case of any taxable year beginning after December 31, 2017, and before January 1, 2026—

(i) paragraph (1) shall be applied—

(II) by substituting ‘$109,400’ for ‘$78,750’ in subparagraph (A) and inserting ‘or 1201 (whichever is appropriate)’.

(D) Sections 527(b) is amended—

(i) by striking paragraph (3) and redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

(E) Section 801(a) is amended—

(i) by striking ‘$695’ in subparagraph (A) and inserting ‘$70,300’.

(ii) by striking subparagraph (D).”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

Subtitle C—Business-related Provisions

PART I—CORPORATE PROVISIONS

SEC. 13001. 20-PERCENT CORPORATE TAX RATE.

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

“(b) AMOUNT.—The amount of the tax imposed by subsection (a) shall be 20 percent of taxable income.”.

(b) CONFORMING AMENDMENTS.—

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

(A) Section 33(c)(3)(B)(i)(II).

(B) Paragraphs (2)(B) and (6)(A)(i) of section 860E(e).

(C) Section 7367(e)(1)(B).

(D) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(2) Subsection 12 is amended by striking paragraphs (4) and (6), and by redesignating paragraphs (5) as paragraph (4), paragraphs (7) and (8) as paragraphs (6) and (7), respectively.

(sec) Section 851(b) is amended—

(i) by striking “calendar year 2016” in subparagraph (A)(i)(II), the amount in subparagraph (A)(i)(II), the $109,400 amount in subparagraph (A)(ii)(I), the $70,300 amount in subparagraph (A)(iii)(I), the $156,300 amount in subparagraph (A)(iii)(II), and the $268,400 amount in subparagraph (A)(iv)(I), and the $156,300 amount in subparagraph (A)(iv)(II), and

(ii) by striking the third sentence in the flush language, and

(v) by striking “under paragraph (3)” and inserting “amounts specified in paragraph (3)” and inserting “the amount specified in paragraph (2)” and

(vi) by striking “The amounts specified in paragraph (2)” and inserting “The amounts specified in paragraph (1)”.

(F) UNDISTRIBUTED CAPITAL GAIN.—For purposes of subsection (c), the term “undistributed capital gain” means the excess of the net capital gain over the deduction for dividends paid (as defined in section 561) determined with respect to capital gain dividends only.”.

(L) Section 882(a)(1) is amended by striking “55, or 120(a)” and inserting “or 55”, and

(M) Sections 913(b) is amended—

(i) by striking “or 120(a)” in paragraph (2)(C),

(ii) by striking paragraph (3)(D) and inserting the following:

“(D) CAPITAL GAIN RATE DIFFERENTIAL.—There is a capital gain rate differential for any year if subsection (b) of section 1 applies to such taxable year to such corporations with respect to such taxable year.”.

(7) Section 7518(b)(6)(A) is amended—
(A) by striking “With respect to the portion” and inserting “In the case of a taxpayer other than a corporation, with respect to the portion”, and
(B) by striking “(34 percent in the case of a corporation)”.

(c) EFFECTIVE DATE.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2018.
(2) conforming amendment.—Subsection (b)(3) shall apply to transfers made after December 31, 2018.

(d) NORMALIZATION REQUIREMENTS.—
(1) IN GENERAL.—A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.
(2) ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.—If, as of the first day of the taxable year that includes the date of enactment of this Act, the taxpayer was required by a regulatory agency to compute depreciation for regulatory purposes, and (A) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method, and (B) the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the normalization method for public utility property that is subject to the regulatory authority of that jurisdiction.

(3) DEFINITIONS.—For purposes of this subsection—
(A) EXCESS TAX RESERVE.—The term “excess tax reserve” means the excess of—
(i) the reserve for deferred taxes (as described in section 169(b) of the Internal Revenue Code of 1986) as determined under the Internal Revenue Code of 1986 as in effect on the day before the date of the enactment of this Act, over the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporation provided in this Act were in effect for all prior periods.
(B) AVERAGE RATE ASSUMPTION METHOD.—The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the deferred taxes.
(C) ALTERNATIVE METHOD.—The “alternative normalization method” is the method in which the taxpayer—
(i) reduces the excess tax reserve ratably over the remaining regulatory life of the property.
(ii) reduces the excess tax reserve assuming an average rate of return used in accounting because the taxpayer is prohibited from using the weighted average life or composite rate used to compute depreciation for regulatory purposes, and
(iii) by striking “$500,000” and inserting “$1,000,000”.

(b) Withholding.—The amendments made by this section shall apply to property placed in service beginning after December 31, 2017.

(c) Fire protection and alarm systems.

(d) Security systems.

(e) REPEAL OF EXCLUSION FOR CERTAIN PROPERTY.—The last sentence of section 179(d)(1) is amended by inserting “(other than paragraph (2) thereof)” after “section 50(b)”. 

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2018.

PART II—SMALL BUSINESS REFORMS

SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSES OF DEPRECIABLE BUSINESS ASSETS.

(a) INCREASE IN LIMITATION.—
(1) DOLLAR LIMITATION.—Section 179(b)(1) is amended by striking “$500,000” and inserting “$1,500,000”.
(2) REDUCTION IN LIMITATION.—Section 179(b)(2) is amended by striking “$3,000,000” and inserting “$5,000,000”.
(3) INFLATION ADJUSTMENTS.—
(A) IN GENERAL.—Subparagraph (A) of section 179(b)(6), as amended by section 11002(d), is amended—
(i) by striking “2015” and inserting “2018”, and
(ii) in clause (ii), by striking “calendar year 2015” and inserting “calendar year 2017”.
(B) SPORT UTILITY VEHICLES.—Section 179(b)(6) is amended—
(1) in the first sentence (A) by striking “paragraphs (1) and (2)” and inserting “paragraphs (1), (2), and (5)(A)”, and
(2) in subparagraph (B), by inserting “($100 in the case of any increase in the amount under paragraph (5)(A))” after “$10,000”. 
(b) SECTION 179 PROPERTY TO INCLUDE QUALIFIED REAL PROPERTY.—
(1) IN GENERAL.—Subparagraph (B) of section 179(d)(1) is amended to read as follows:—
(‘‘(B) which is—
(i) a section 1245 property (as defined in section 1245(a)(3)), or
(ii) at the election of the taxpayer, qualified real property (as defined in subsection (f), and
(2) QUALIFIED REAL PROPERTY DEFINED.—
Subsection (f) of section 179 is amended to read as follows:
‘‘(f) QUALIFIED REAL PROPERTY.—For purposes of this section, the term ‘qualified real property’ means—
(a) any qualified improvement property described in section 166(e)(6), and
(b) any of the following improvements to nonresidential real property placed in service in the case of any increase in the amount under paragraph (5)(A))” after “$10,000”.

(c) section 179(d)(1) is amended to read as follows:—
(1) IN GENERAL.—So much of section 448(c) as precedes paragraph (2) is amended to read as follows:—
‘‘(c) GROSS RECEIPTS TEST.—
(1) IN GENERAL.—A corporation or partnership meets the gross receipts test of this subsection for any taxable year if the aggregate gross receipts of such entity for such taxable year do not exceed the applicable dollar limit.
(2) APPLICABLE DOLLAR LIMIT.—Subsection (c) of section 448 is amended by adding at the end the following new paragraph:—
‘‘(4) APPLICABLE DOLLAR LIMIT.—
(A) IN GENERAL.—The applicable dollar limit is $15,000,000.
(B) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after December 31, 2018, the $15,000,000 amount under subparagraph (A) shall be increased by an amount equal to—
(i) such dollar amount, multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.
If any amount as increased under the preceding sentence is not a multiple of $1,000, the amount shall be rounded to the next lowest multiple of $1,000.”;
(3) CHARGE IN METHOD OF ACCOUNTING.—
Paragraph (7) of section 466(d) is amended—
(1) by striking “In the case of” and all that follows up to subparagraph (A) and inserting:—
“‘If a taxpayer changes its method of accounting because the taxpayer is prohibited from using the cash receipts method or the accrual method of accounting by reason of subsection (a) or is no longer prohibited

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from using such method by reason of such subsection”—;

(B) by inserting “and” at the end of sub-
paragraph (A), by striking “and” at the end of sub-
paragraph (B), and inserting a period, and by striking subparagraph (C).

(4) CONFORMING AMENDMENT.—Para-
graph (3) of section 448(b) is amended to read as fol-
wows:

“(3) ENTITIES SATISFYING CROSS RECEIPTS TEST.—Paragraphs (1) and (2) of subsection (a) shall not apply to any corporation or partnership for any taxable year if such entity meets the gross receipts test of subsection (c) for the taxable year.”.

(b) APPLICATION OF MODIFICATIONS TO FARM CORPORATIONS.—

(1) IN GENERAL.—Paragraph (1) of section 471(d) is amended to read as fol-
wows:

“(1) IN GENERAL.—A qualified taxpayer shall not be permitted to use inventories under this section for a taxable year.

“(2) TREATMENT OF TAXPAYERS NOT USING INVENTORIES.—A qualified taxpayer who is not required to use inventories because such exception no longer applies to the taxpayer by reason of the exception under paragraph (3) or this section applies to the taxpayer because such exception no longer applies to the taxpayer—

“(A) such change shall be treated as initi-
ated by the taxpayer, and

“(B) such change shall be treated as made with the consent of the Secretary, and

“(C) such change shall be permitted only on a cut-off basis for all similarly classified contracts entered into or on after the year of change and no adjustments under section 48(a)(3) shall be made.”.

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13104. MODIFICATION OF RULES FOR UNI-
FORM CAPITALIZATION OF CERTAIN EX-PENSES.:

(a) IN GENERAL.—Section 263A(b) is amend-
ed by striking all that follows paragraph (1) and inserting the following new paragraphs:

“(1) PROPERTY ACQUIRED FOR RESALE.—Real
or personal property described in section 1221(a)(3) which is acquired by the taxpayer for resale.

“(2) EXCEPTION FOR SMALL BUSINESSES.—This section shall not apply to any taxpayer who meets the gross receipts test under section 44(c) for the taxable year (or, in the case of a sole proprietor, who would meet such test if such proprietorship were a corporation). Such term shall include a taxpayer whose change of method of accounting is not affected by the election to use inventories by reason of paragraph (1) or is required to use inventories because such method of accounting no longer applies to the taxpayer.

“(A) such change shall be treated as initi-
ated by the taxpayer, and

“(B) such change shall be treated as made with the consent of the Secretary, and

“(C) such change shall be permitted only on a cut-off basis for all similarly classified contracts entered into or on after the year of change and no adjustments under section 48(a)(3) shall be made.”.

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

PART III—COST RECOVERY AND ACCOUNTING METHODS

Subpart A—Cost Recovery

SEC. 13201. TEMPORARY 100-PERCENT EXPENS-
ING FOR CERTAIN BUSINESS ASSETS.

(a) INCREASED EXPENSING.—

(1) IN GENERAL.—Section 168(k) is amend-
ed—

(A) in paragraph (1)(A), by striking “50 per-
cent” and inserting “the applicable percentage”, and

(B) in paragraph (5)(A)(i), by striking “50 percent” and inserting “the applicable percentage”.

(2) APPLICABLE PERCENTAGE.—For purposes of this subsection—

“(A) IN GENERAL.—Except as otherwise pro-
vided in this paragraph, the term ‘applicable percentage’ means—
“(i) in the case of property placed in service after September 27, 2017, and before January 1, 2023, 100 percent;

(ii) in the case of property placed in service after December 31, 2023, and before January 1, 2024, 80 percent;

(iii) in the case of property placed in service after December 31, 2024, and before January 1, 2025, 40 percent;

(iv) in the case of property placed in service after December 31, 2025, and before January 1, 2026, 20 percent.

(B) RULE FOR PLANTS BEARING FRUITS AND NUTS.—In the case of a specified plant described in paragraph (5), the term ‘applicable percentage’ means—

(i) in the case of a plant which is planted or grafted after December 31, 2022, and before January 1, 2023, 100 percent;

(ii) in the case of a plant which is planted or grafted after December 31, 2023, and before January 1, 2024, 80 percent;

(iii) in the case of a plant which is planted or grafted after December 31, 2024, and before January 1, 2025, 40 percent;

(iv) in the case of a plant which is planted or grafted after December 31, 2025, and before January 1, 2026, 20 percent.

(C) RULE FOR PLANTS HEARING FRUITS AND NUTS.—In the case of a specified plant described in paragraph (5), the term ‘applicable percentage’ means—

(i) in the case of a plant which is planted or grafted after September 27, 2017, and before January 1, 2020, 100 percent;

(ii) in the case of a plant which is planted or grafted after December 31, 2019, and before January 1, 2020, 80 percent;

(iii) in the case of a plant which is planted or grafted after December 31, 2020, and before January 1, 2021, 60 percent.

(D) RULE FOR SEEDS AND CROPS.—In the case of a specified seed or crop described in paragraph (6), the term ‘applicable percentage’ means—

(i) in the case of a seed which is planted or grafted after September 27, 2017, and before January 1, 2020, 100 percent;

(ii) in the case of a seed which is planted or grafted after December 31, 2019, and before January 1, 2020, 80 percent;

(iii) in the case of a seed which is planted or grafted after December 31, 2020, and before January 1, 2021, 60 percent.

(E) RULE FOR LIVE THEATRICAL PRODUCTIONS.—In the case of a specified production described in paragraph (7), the term ‘applicable percentage’ means—

(i) in the case of a production which is performed after December 31, 2016, and before January 1, 2020, 100 percent;

(ii) in the case of a production which is performed after December 31, 2019, and before January 1, 2020, 80 percent;

(iii) in the case of a production which is performed after December 31, 2018, and before January 1, 2019, 40 percent;

(iv) in the case of a production which is performed after December 31, 2017, and before January 1, 2018, 20 percent.

(F) RULE FOR QUILTED FILM AND TELEVISION AND LIVE THEATRICAL PRODUCTIONS.—

(1) IN GENERAL.—Clause (i) of section 168(k)(2)(A), as amended by section 13204, is amended—

(A) in subclause (II), by striking ‘‘or’’,

(B) in subclause (III), by adding ‘‘or’’ after the comma, and

(C) by adding at the end the following:—

‘‘(iv) which is a qualified film or television production (as defined in subsection (d) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

(v) which is a qualified live theatrical production (as defined in subsection (e) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (g) of such section or this subsection, or

(2) PRODUCTION PLACED IN SERVICE.—Paragraph (2) of section 168(k) is amended by adding at the end the following:

‘‘(B) PRODUCTION PLACED IN SERVICE.—For purposes of subparagraph (A)—

(i) a qualified film or television production shall be considered to be placed in service at the time of initial release or broadcast, and

(ii) a qualified live theatrical production shall be considered to be placed in service at the time of the initial live staged performance.’’.

(g) EFFECTIVE DATES.—The amendments made by this section shall apply—

(1) in the case of a production which is performed after December 31, 2017, if the taxpayer elects to apply them to such production placed in service during the first taxable year ending after December 31, 2017, in taxable years ending after such date.

SEC. 13203. MODIFICATIONS TO DEPRECIATION PERIODS FOR CERTAIN FARM PROPERTY.

(a) TREATMENT OF CERTAIN FARM PROPERTY AS 5-YEAR PROPERTY.—Clause (vii) of section 168(e)(3)(B) is amended by striking ‘‘after December 31, 2017’’ and inserting ‘‘after December 31, 2017, and in taxable years ending after such date.’’

(b) REPEAL OF REQUIRED USE OF 150-PERCENT DEDUCTION BALANCE METHOD.—Section 168(b)(2)(B) is amended by striking subparagraph (B) and redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2017, in taxable years ending after such date.

SEC. 13204. APPLICABLE RECOVERY PERIOD FOR REAL PROPERTY.

(a) RESIDENTIAL RENTAL PROPERTY AND NONRESIDENTIAL REAL PROPERTY.—

(1) REDUCTION OF RECOVERY PERIOD.—The table contained in section 168(c) is amended—

(A) by striking ‘‘27.5 years’’ and inserting ‘‘25 years’’, and

(B) by striking ‘‘39 years’’ and inserting ‘‘25 years’’.

(2) STATUTORY RECOVERY PERIOD.—The table contained in section 467(e)(3)(A) is amended—

(A) by inserting ‘‘(other than residential rental property and nonresidential real property)’’ after ‘‘15-year and 20-year property’’, and

(B) by striking ‘‘19 years’’ and inserting ‘‘25 years’’.

(3) CONFORMING AMENDMENT.—Clause (ii) of section 168(e)(2)(B) is amended by striking ‘‘27.5 years’’ and inserting ‘‘25 years’’.

(b) IMPROVEMENTS TO NONRESIDENTIAL REAL PROPERTY.—

(1) CLASSIFICATION OF QUALIFIED IMPROVEMENT PROPERTY AS 10-YEAR PROPERTY.—Subparagraph (D) of section 168(e)(3) is amended—

(A) in clause (ii), by striking ‘‘and’,’’ and

(B) in clause (iv), by striking the period ‘‘and inserting ‘‘and’’.

(2) CONFORMING AMENDMENTS.—

(A) Clause (ii) of section 469(c)(6)(B) is amended by striking ‘‘January 1, 2022’’ and inserting ‘‘January 1, 2021’’.

(B) In clause (i), by redesigning the table contained in section 168(e)(3) as clauses (iv), (v), and (vi), and

(C) by striking ‘‘before January 1, 2010’’ and inserting ‘‘before January 1, 2010’’.

(3) APPLICATION OF STRAIGHT LINE METHOD TO QUALIFIED IMPROVEMENT PROPERTY.—Paragraph (2) of section 168(b) is amended—

(A) by striking paragraphs (G), (H), and (I), and

(B) by striking clause (iv), and

(C) by redesigning clause (v) as clause (iv).
SEC. 13205. USE OF ALTERNATIVE DEPRECIATION SYSTEM FOR ELECTING FARMING BUSINESSES.

(a) IN GENERAL.—Section 168(g)(1), as amended by section 13204, is amended by—
(i) by inserting at the end the following sub-paragraph (E):—
(2) the taxpayer shall—
(A) charge such expenditures to capital account, and
(B) be allowed an amortization deduction of such expenditures ratably over the 5-year period (15-year period in the case of any specified research or experimental expenditures which are attributable to foreign research or experimentation and of a character which are subject to the allowance under section 174) beginning with the midpoint of the taxable year in which such expenditures are paid or incurred.

SEC. 13206. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) IN GENERAL.—Section 174 is amended to read as follows:

"SEC. 174. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) IN GENERAL.—In the case of a taxpayer's specified research or experimental expenditures for any taxable year—
(i) except as provided in subparagraph (B), no deduction shall be allowed for such expenditures, and
(ii) the taxpayer shall—
(A) charge such expenditures to capital account, and
(B) be allowed an amortization deduction of such expenditures ratably over the 5-year period (15-year period in the case of any specified research or experimental expenditures which are attributable to foreign research or experimentation and of a character which are subject to the allowance under section 174) beginning with the midpoint of the taxable year in which such expenditures are paid or incurred.

(b) SPECIFIED RESEARCH OR EXPERIMENTAL EXPENDITURES.—For purposes of this section, the term 'specified research or experimental expenditures' means, with respect to any taxable year, research or experimental expenditures which are paid or incurred by the taxpayer during such taxable year in connection with the taxpayer's trade or business.

(c) SPECIAL RULES FOR SPECIFIED RESEARCH OR EXPERIMENTAL EXPENDITURES.—(1) LAND AND OTHER PROPERTY.—This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition of a building commodious or convenient to use solely or mainly in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to depreciation, etc.) or section 611 (relating to allowance for depletion); but for purposes of this section such allowances under section 167, and allowances under section 611, shall be considered as expenditures.

(2) EXPLORATION EXPENDITURES.—This section shall not apply to any expenditure paid or incurred for exploration purposes for depletion (section 611), or for exploring for or as a preliminary step to a mineral deposit, or for exploring for or as a preliminary step to the acquisition for the use of a mineral deposit.

(3) SOFTWARE DEVELOPMENT.—For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.

(d) TREATMENT UPON DISPOSITION, RETIREMENT, OR ABANDONMENT.—If any property with respect to which specified research or experimental expenditures are paid or incurred is disposed of, retired, or abandoned during the period during which such expenditures are allowed as an amortization deduction, such property shall be treated as if it were allowed with respect to such expenditures on account of such disposition, retirement, or abandonment and such amortization deduction shall continue with respect to such expenditures.

(b) CHANGE IN METHOD OF ACCOUNTING.—The amendments made by subsection (a) shall be treated as a change in method of accounting for purposes of section 481 of the Internal Revenue Code of 1986 and—
(i) such change shall be applied on a cut-off basis for any research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2025, and
(ii) such change shall be treated as initiated by the taxpayer.

(c) CLERICAL AMENDMENT.—The table of sections for part VI of chapter B of chapter 1 of subtitle A of subchapter A of subchapter G of part X, amended by this section, shall continue with respect to such expenditures.

(d) CONFORMING AMENDMENTS.—(1) Section 448(d)(1)(A) is amended by striking "section 174" and inserting "this section" and by striking "expenses" and inserting "research or experimental expenditures".

(2) Section 481(d)(1)(B) is amended by striking "expenses" and inserting "research or experimental expenditures".

(3) Section 481(d)(2)(B) is amended by striking "such expenses" and inserting "this section".

(e) EFFECTIVE DATE.—The amendments made by this Act shall apply to-
paid or incurred after the date of the enactment of this Act.

Subpart B—Accounting Methods

SEC. 13221. CERTAIN SPECIAL RULES FOR TAX ASSESSED IN RELATION TO SPONSORSHIP ARRANGEMENTS. (a) INCLUSION NOT LATER THAN FOR FINANCIAL ACCOUNTING PURPOSES.—Section 451 is amended by redesignating subsections (b) through (g) of subsection (b) respectively, and by inserting after subsection (a) the following new subsection:

"(2) APPLICABLE FINANCIAL STATEMENT.—For purposes of this section, the term 'applicable financial statement' means—

(A) a financial statement which is certified being prepared in accordance with generally accepted accounting principles and which is—

(i) a 10–K (or successor form), or annual statement to shareholders underwritten by the taxpayer if it is actually or constructively held by the United States Securities and Exchange Commission,

(ii) an audited financial statement of the taxpayer which is used for—

(I) credit purposes,

(II) reporting to shareholders, partners, or other proprietors, or to beneficiaries, or

(III) any other substantial nontax purpose,

but only if there is no statement of the taxpayer described in clause (i), or

(iii) filed by the taxpayer with any other Federal agency for purposes other than Federal tax purposes, but only if there is no statement of the taxpayer described in subparagraph (A), or

"(B) TREATMENT OF ADVANCE PAYMENTS.—Section 451, as amended by subsection (a), is amended by redesignating subsections (c) through (j) as subsections (d) through (k), respectively, and by inserting after subsection (b) the following new subsection:

"(C) RECEIPT.—For purposes of this subsection, an item of gross income is received by the taxpayer if it is actually or constructively held by the taxpayer.

"(D) ALLOCATION OF TRANSACTION PRICE.—For purposes of this subsection, rules similar to section 481(b)(2)(A) shall apply.

"(E) COORDINATION WITH SECTION 481.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

"(F) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

"(2) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The amount determined under subparagraph (A) shall be treated as included in the applicable financial statement of the taxpayer.

"(3) EXEMPTION FOR CERTAIN SMALL BUSINESS INTERESTS.—In the case of any qualified change in method of accounting for the taxpayer for a taxable year beginning after December 31, 2017—

(A) such change shall be treated as initiated by the taxpayer, and

(B) such change shall be treated as made with the consent of the Secretary of the Treasury.

"(3) EXEMPTION FOR CERTAIN SMALL BUSINESS INTERESTS.—In the case of any qualified change in method of accounting for the taxpayer for a taxable year beginning after December 31, 2017—

(A) such change shall be treated as initiated by the taxpayer, and

(B) such change shall be treated as made with the consent of the Secretary of the Treasury.

"(4) TREATMENTS APPROPRIATE TO THE SITUATION.—An election under paragraph (1)(B) shall be effective for the Taxable Year for which it is first made and for all subsequent taxable Years, unless the taxpayer severance effective at such time, in such form and manner, and with respect to such categories of advance payments, as the Secretary may provide.

"(5) PERIOD TO WHICH ELECTION APPLIES.—An election under paragraph (1)(B) shall be effective for the taxable year with respect to which it is first made and for all subsequent taxable years unless the taxpayer severs effective the consent of the Secretary to revoke such election. For purposes of this title, the computation of taxable income under an election made under paragraph (1)(B) shall be treated as a method of accounting.

"(6) TAXPAYERS CEASING TO EXIST.—Except as otherwise provided by the Secretary, the election under paragraph (1)(B) shall not apply with respect to advance payments receivable by the taxpayer during a taxable year if such taxpayer ceases to exist during or with the close of such taxable year.

"(7) ADVANCE PAYMENT.—For purposes of this subsection—

(A) IN GENERAL.—The term 'advance payment' means—

(i) the full inclusion of which in the gross income of the taxpayer for the taxable year of receipt is a permissible method of accounting (determined without regard to this subsection),

(ii) any portion of which is included in revenue by the taxpayer in a financial statement of the taxpayer which is used for—

(I) credit purposes,

(II) reporting to shareholders, partners, or other proprietors, or to beneficiaries, or

(III) any other substantial nontax purpose,

but only if there is no statement of the taxpayer described in subparagraph (A), or

"(ii) income can be determined with reasonable assurance that such income and the amount of such income will be received, so include such portion, and

"(iii) which is for goods, services, or other items as may be identified by the Secretary for purposes of this clause.

"(B) EXCLUSIONS.—Except as otherwise provided by the Secretary, such term shall not include—

(i) rent,

(ii) insurance premiums governed by subchapter L,

(iii) payments with respect to financial instruments,

(iv) payments with respect to warranty or guaranty contracts under which a third party is the primary obligor,

(v) payments subject to section 871(a), 881, 1441, or 1442,

(vi) payments in property to which section 83 applies, and

(vii) any other payment identified by the Secretary for purposes of this subparagraph.

"(C) RECEIPT.—For purposes of this subsection, an item of gross income is received by the taxpayer if it is actually or constructively held by the taxpayer.

"(D) ALLOCATION OF TRANSACTION PRICE.—For purposes of this subsection, rules similar to section 481(b)(2)(A) shall apply.

"(E) COORDINATION WITH SECTION 481.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

"(F) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

"(G) CERTAIN SPECIAL RULES FOR TAX ASSESSED IN RELATION TO SPONSORSHIP ARRANGEMENTS.—For purposes of this subsection, the term 'qualified change in method of accounting' means any change in method of accounting which—

(A) is required by the amendments made by this section, or

(B) was prohibited under the Internal Revenue Code of 1986 prior to such amendments and is permitted under such Code after such amendments.

"(H) SPECIAL RULES FOR ORIGINAL ISSUE DISCOUNT.—Notwithstanding subsection (c), in the case of income from a debt instrument issued after December 31, 2017, and

"(1) the original issue discount after December 31, 2017, and

"(2) the period for taking into account any advance payments under section 481 made on or after such date.

"(3) EXEMPTION FOR CERTAIN SMALL BUSINESS INTERESTS.—In the case of any qualified change in method of accounting for the taxpayer for a taxable year beginning after December 31, 2017—

(A) such change shall be treated as initiated by the taxpayer, and

(B) such change shall be treated as made with the consent of the Secretary of the Treasury.

"(J) LIMITATION ON BUSINESS INTEREST.—

"(1) IN GENERAL.—The amount allowed as a deduction under this chapter for any taxable year for business interest shall not exceed the sum of—

(A) the business interest income of such taxpayer for such taxable year, plus

(B) 50 percent of the adjusted taxable income of such taxpayer for such taxable year.

The amount determined under subparagraph (B) shall not be less than zero.

"(2) CAREFOWARD OF DISALLOWED BUSINESS INTEREST.—The amount of any business interest not allowed as a deduction for any taxable year by reason of paragraph (1) shall be treated as business interest paid or accrued in the succeeding taxable year.

"(3) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—In the case of any taxpayer (other...
than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 446(a)(3) which meets the gross receipts test of section 446(c) for any taxable year shall be applied to such taxpayer for such taxable year. In the case of any taxpayer which is not a corporation or a partnership, the gross receipts and disbursements method of accounting under section 446(c) of interest remaining after the application of this basis increase under this subclause.

(C) EXCESS TAXABLE INCOME.—The term 'excess taxable income' means, with respect to any partnership, the amount which bears the same ratio to the partnership's adjusted taxable income as—

(1) the excess (if any) of—

(ii) the amount determined for the partnership under paragraph (1)(B), over

(iii) the amount (if any) by which the business interest of the partnership exceeds the business interest income of the partnership, bears to

(iv) the amount determined for the partnership under paragraph (1)(B).

(D) APPLICATION TO S CORPORATIONS.—Rules similar to the rules of subparagraphs (A) and (C) shall apply with respect to any S corporations for taxable years beginning after December 31, 2018.

(E) BUSINESS INTEREST.—For purposes of this subsection, the term 'business interest' means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

(F) BUSINESS INTEREST INCOME.—For purposes of this subsection, the term 'business interest income' means the amount of interest includible in the gross income of the taxpayer for the taxable year for which such interest is allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

(G) TRADE OR BUSINESS.—For purposes of this subsection—

(A) IN GENERAL.—The term 'trade or business' shall not include—

(i) the business of performing services as an employee,

(ii) any electric cooperation, or

(iii) any electing real property trade or business.

(B) ELECTING REAL PROPERTY TRADE OR BUSINESS.—For purposes of this subsection, the term 'electing real property trade or business' means an electing real property trade or business which has previously been treated under rules similar to the rules of paragraph (A).

(C) ELECTING FARMING BUSINESS.—For purposes of this paragraph, the term 'electing farming business' means—

(i) a farming business (as defined in section 263A(e)(4)) which makes an election under this subparagraph, or

(ii) any trade or business of a specified agricultural or horticultural cooperative (as defined in section 199A(g)(2)) with respect to which the cooperative makes an election under this subparagraph.

Any such election shall be made at such time, in such manner, and on such form as shall prescribe, and, once made, shall be irrevocable.

(H) ADJUSTED TAXABLE INCOME.—For purposes of this subsection, the term 'adjusted taxable income' means the taxable income of the taxpayer—

(A) computed without regard to—

(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business,

(ii) any business interest or business interest income,

(iii) the amount of any net operating loss deduction under section 172, and

(iv) the amount of any deduction allowed under section 199 or 199A, and

(B) computed with such other adjustments as provided by the Secretary.

(I) CROSS-REFERENCES.—(A) For purposes of section 199, the term 'adjusted real property trade or business' means any trade or business which makes an election described in section 199A(g)(2) with respect to which the cooperative makes an election under this subparagraph, or

(B) For purposes of determining the non-separately stated taxable income of an electing real property trade or business, see section 199A(f).

(J) Treatment of Carryforward of Disallowed Business Interest in Certain Corporate Acquisitions.—

(1) In General.—Section 381(c) is amended by inserting after paragraph (19) the following new paragraph:

(20) Carryforward of disallowed business interest.—The carryover of disallowed business interest described in section 163(j)(2) to taxable years ending after the date of distribution or transfer.

(2) Application of Limitation.—Section 382(d) is amended by adding at the end the following new paragraph:

(2) Application to carryover of disallowed interest.—The term 'pre-change law adjusted carryover of disallowed interest described in section 163(n) under rules similar to the rules of paragraph (1)' shall include an any carryover of disallowed interest described in section 381(c)(20).

(K) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13302. MODIFICATION OF NET OPERATING LOSS DEDUCTION.

(a) LIMITATION ON DEDUCTION.—(1) IN GENERAL.—Section 172(a) is amended to read as follows:

(2) A PPLICATION OF LIMITATION.—Section 172(b) is amended to add the following new paragraph:

(2) Carryforward of disallowed business interest—

(1) LIMITATION ON DEDUCTION.—The amount allowed as a deduction for the taxable year shall not exceed the lesser of—

(i) the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, or

(ii) 90 percent of the taxable income described in section 163(n) for taxable years beginning after December 31, 2022 of taxable income computed without regard to the deduction allowable under this subsection.

For purposes of this subsection, the term 'net operating loss deduction' means the deduction allowed by this subsection.

(b) TREATMENT OF CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is amended by striking "shall be
subsection (i) as subsection (f).

(3) CONFORMING AMENDMENT.—Section 172(d)(1)(A) is amended by inserting “at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “; and”, and by adding at the end the following subparagraph:

“(C) subsection (a)(2) shall be applied by substituting “real estate investment trust taxable income” (as defined in section 857(b)(1)) for “taxable income”."

(b) REPEAL OF NET OPERATING LOSS CARRYBACK.; INDEFINITE CARRYFORWARD.—

(1) IN GENERAL.—Section 172(b)(1)(A) is amended by inserting “at the end of paragraph (a), and” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “; and”, and by adding at the end the following subparagraph:

“(C) subsection (a)(2) shall be applied by substituting “real estate investment trust taxable income” (as defined in section 857(b)(1)) for “taxable income”."

(2) CONFORMING AMENDMENT.—Section 172(b)(1)(A) is amended by striking subparagraphs (B) through (D).

(c) TREATMENT OF FARMING LOSSES.—

(1) ALLOWANCE OF CARRIYBACKS.—Section 172(b)(1), as amended by subsection (b)(2), is amended by adding at the end the following new subparagraph:

“(B) the amount of the deduction allowed under subsection (a) shall be the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, and

(2) subparagraph (C) of subsection (b)(2) shall not apply.”

(e) EFFECTIVE DATE.—

(1) NET OPERATING LOSS LIMITATION.—The amendments made by subsections (a) and (b)(2) shall apply to losses arising in taxable years beginning after December 31, 2017.

(2) CARRYFORWARDS AND CARRYBACKS.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13303. LIKE-KIND EXCHANGES OF REAL PROPERTY.

(a) IN GENERAL.—Section 1031(a)(1) is amended by striking “property” each place it appears and inserting “real property”.

(b) CONFORMING AMENDMENTS.—

(1)(A) Paragraph (1)(A) of section 1031(a) is amended to read as follows:

“(1) In general.—Section 1031 applies to each of the 20 taxable years following the taxable year of the loss.”

(B) Paragraph (1)(B) of section 1031 is amended—

(i) in subparagraph (A), by striking “property” each place it appears and inserting “real property”,

(ii) in subparagraph (B), by striking “to each of the 20 taxable years following the taxable year of the loss.”

(c) EFFECTIVE DATE.—

(1) TREATMENT OF CARRYFORWARDS AND CARRYBACKS.—Section 1031(b)(1), as amended by subsections (b)(2) and (c)(1), is amended by adding at the end the following new subparagraph:

“(B) the following new subparagraph:

“(C) subsection (a)(2) shall be applied by

stricting “real estate investment trust taxable income” (as defined in section 857(b)(1)) for “taxable income”."

(d) TREATMENT OF CERTAIN INSURANCE LOSSES.

(1) TREATMENT OF CARRYFORWARDS AND CARRYBACKS.—Section 172(b)(1), as amended by subsections (b)(2) and (c)(1), is amended by adding at the end the following new subparagraph:

“(C) INSURANCE COMPANIES.—In the case of an insurance company (as defined in section 816(a)) other than a life insurance company, the net operating loss for any taxable year—

(i) shall be a net operating loss carryback to each of the 2 taxable years preceding the taxable year of such loss, and

(ii) shall be a net operating loss carryover to each of the 20 taxable years following the taxable year of the loss.”

(2) EXEMPTION FROM LIMITATION.—Section 172, as amended by subsection (c)(2)(A), is amended by redesignating subsection (i) as subsection (g) and inserting after subsection (e) the following new subsection:

“(f) SPECIAL RULE FOR INSURANCE COMPANIES.—In the case of an insurance company (as defined in section 816(a)) other than a life insurance company—

(i) the amount of the deduction allowed under subsection (b) in a taxable year, plus the net operating loss carrybacks to such year, and

(ii) subparagraph (C) of subsection (b)(2) shall not apply.”

(3) EFFECTIVE DATE.—

(1) NET OPERATING LOSS LIMITATION.—The amendments made by subsections (a) and (b)(2) shall apply to losses arising in taxable years beginning after December 31, 2017.

(2) CARRYFORWARDS AND CARRYBACKS.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13304. LIMITATION ON DEDUCTION FOR ENTERTAINMENT EXPENSES.

(a) NO DEDUCTION ALLOWED FOR ENTERTAINMENT EXPENSES.—

(1) IN GENERAL.—Section 274(a) is amended—

(i) in paragraph (1)(A), by striking “unles” and all that follows through “trade or business.”

(ii) by striking the flush sentence at the end of paragraph (1), and

(iii) by striking paragraph (2)(C).

(2) CONFORMING AMENDMENT.—

(A) Section 274(d) is amended—

(i) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively, and

(ii) in the flush text following paragraph (3) as so redesignated—

(I) by striking “; entertainment, amusement, recreation, or use of the facility or property,” in item (B), and

(II) by striking “(D) the business relationship to the taxpayer of persons entertained, using the facility or property, or receiving the gift, and inserting “(D) the business relationship to the taxpayer of the person receiving the benefit.”

(B) Section 274 is amended by striking subsection (1).

(C) Section 274(n) is amended by striking “AND ENTERTAINMENT” in the heading.

(D) Section 274(n)(1) is amended to read as follows:

“(1) IN GENERAL.—The amount allowable as a deduction under this chapter for any expense for food or beverages shall not exceed 50 percent of the amount of such expense which would (but for this paragraph) be allowable as a deduction under this chapter.”

(E) Section 274(n)(4) is amended—

(i) in subparagraph (B), by striking “in the case of an expense for food or beverages,”

(ii) by striking subparagraph (C) and redesigning subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively,

(iii) by striking “of subparagraph (E)” the last sentence and inserting “of subparagraph (D),”

and

(iv) by striking “in subparagraph (D)” in the last sentence and inserting “in subparagraph (C)”.

(F) Clause (iv) of section 7701(b)(5)(A) is amended to read as follows:

“(iv) a professional athlete who is temporarily in the United States to compete in a sports event—

(I) which is organized for the primary purpose of benefiting an organization which is described in section 501(c)(3) and exempt from tax under section 501(a)(16),

(II) of all the net proceeds of which are contributed to such organization and,

(III) which utilizes volunteers for substantially all of the work performed in carrying out such event.”.

(b) ONLY 50 PERCENT OF EXPENSES FOR MEALS PROVIDED ON OR NEAR BUSINESS
PREMISES ALLOWED AS DEDUCTION.—Paragraph (2) of section 127(h), as amended by subsection (a), is amended—
(1) by striking subparagraph (B),
(2) by striking paragraphs (C) and (D) as subparagraphs (B) and (C), respectively,
(3) by striking of subparagraph (D)" in the last sentence and inserting "of subparagraph (C)",
(4) by striking "in subparagraph (C)" in the last sentence and inserting "in subparagraph (B)".
(c) TREATMENT OF TRANSPORTATION BENEFITS.—Section 274, as amended by subsection (a), is amended—
(1) in subsection (a)—
(A) in the heading, by striking "or RECREATION" and inserting "RECREATION, OR QUALIFIED TRANSPORTATION FRINGE;" and
(B) by adding at the end the following new paragraph:
(4) QUALIFIED TRANSPORTATION FRINGES.—No deduction shall be allowed under this chapter for the expense of any qualified transportation fringe (as defined in section 132(f)) provided to an employee of the taxpayer—
(1) for the purpose of providing any transportation, or any payment or reimbursement to the government or entity described in section 132(e)(2), and any payment or reimbursement to the government or entity described in this paragraph if—
(i) the amount paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government or governmental entity in relation to the violation of any law or the investigation or inquiry by such government or entity into the potential violation of any law,
(ii) is identified as restitution or as an amount constituting restitution or paid to come into compliance with law,
(A) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,
(B) any amount required to be paid as a result of a suit or an agreement which constitutes restitution or remediation of property, and
(C) any amount required to be paid as a result of a suit or an agreement for the purpose of coming into compliance with any law which was violated or involved in the investigation or inquiry.
(iii) in the case of any amount of restitution described in paragraph (2) shall make a return in such form as determined by the Secretary setting forth—
(A) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,
(B) any amount required to be paid as a result of the suit or an agreement which constitutes restitution or remediation of property, and
(C) any amount required to be paid as a result of a suit or an agreement for the purpose of coming into compliance with any law which was violated or involved in the investigation or inquiry.
(iv) the aggregate amount involved in all court orders and agreements with respect to the violation, investigation, or inquiry is $600 or more.
(b) REPORTING OF DEDUCTIBLE AMOUNTS.—
(1) GENERAL.—Subpart B of part III of chapter 61 of title 26 is amended by inserting after section 6000W the following new section:
(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date.
SEC. 13306. DEDUCTION FOR CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.
(a) DENIAL OF DEDUCTION.—
(1) IN GENERAL.—Subsection (f) of section 162 is amended to read as follows:
(f) FINES, PENALTIES, AND OTHER AMOUNTS.—
(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section apply to taxable years beginning after December 31, 2018.
(2) EARLIER TERMINATION FOR CERTAIN TAXPAYERS.—The amendments made by paragraphs (1) and (2) of subsection (a) shall apply to taxable years beginning after December 31, 2017.
(b) EARLIER TERMINATION FOR CERTAIN TAXPAYERS.—
SEC. 13307. DEDUCTION OF COSTS OF ANY INVESTIGATION OR LITIGATION.(a) REQUIREMENT OF REPORTING.—
(1) IN GENERAL.—The appropriate official of any government or any entity described in section 274(a) which was involved in a suit or agreement described in paragraph (2) shall make a return in such form as determined by the Secretary setting forth—
(A) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,
(B) any amount required to be paid as a result of the suit or an agreement which constitutes restitution or remediation of property, and
(C) any amount required to be paid as a result of a suit or an agreement for the purpose of coming into compliance with any law which was violated or involved in the investigation or inquiry.
(D) THE AMOUNT OF RESTITUTION OR OTHER AMOUNTS.—
(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date.
SEC. 6050X. INFORMATION WITH RESPECT TO CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.
(a) REQUIREMENT OF REPORTING.—
(1) IN GENERAL.—The appropriate official of any government or any entity described in section 274(a) which was involved in a suit or agreement described in paragraph (2) shall make a return in such form as determined by the Secretary setting forth—
(A) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,
(B) any amount required to be paid as a result of the suit or an agreement which constitutes restitution or remediation of property, and
(C) any amount required to be paid as a result of a suit or an agreement for the purpose of coming into compliance with any law which was violated or involved in the investigation or inquiry.
(D) THE AMOUNT OF RESTITUTION OR OTHER AMOUNTS.—
(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date.
time the agreement is entered into, as determined by the Secretary.

"(b) STATEMENTS TO BE FURNISHED TO INDIVIDUALS INVOLVED IN THE SETTLEMENT.—Every person to make a report under subsection (a) shall furnish to each person who is a party to the suit or agreement a written statement showing:

"(1) the name of the government or entity, and

"(2) the information supplied to the Secretary under subsection (a).

The written statement required under the preceding sentence shall be furnished to the person at the same time the government or entity provides the Secretary with the information required under subsection (a).

"(c) APPROPRIATE OFFICIAL DEFINED.—For purposes of this section, the term ‘appropriate official’ means the officer or employee having control of the suit, investigation, or inquiry or the person appropriately designated for purposes of this section.

(2) CONFORMING AMENDMENT.—The table of sections for part IV of subchapter O of chapter 61 is amended by inserting after the item relating to section 663W the following new item:

"Sec. 663X. Information with respect to certain fines, penalties, and other amounts."

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to amounts paid or incurred on or after the date of the enactment of this Act, except that such amendments shall not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Such exception shall not apply to an order or agreement requiring court approval unless the approval was obtained before such date.

SEC. 13307. DENIAL OF DEDUCTION FOR SETTLEMENT OR PAYMENT OF CLAIMS SUBJECT TO NONDISCLOSURE AGREEMENTS PAID IN CONNECTION WITH SEXUAL HARASSMENT OR SEXUAL ABUSE.

(a) DENIAL OF DEDUCTION.—Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (r) the following new subsection:

"(q) PAYMENTS RELATED TO SEXUAL HARASSMENT AND SEXUAL ABUSE.—No deduction shall be allowed under this chapter for—

"(1) any payment related to sexual harassment or sexual abuse if such settlement or payment is subject to a non-disclosure agreement, or

"(2) attorney’s fees related to such a settlement or payment.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after the date of the enactment of this Act.

SEC. 13309. REPEAL OF DEDUCTION FOR LOCAL LOBBYING EXPENSES.

(a) IN GENERAL.—Section 162(e) is amended by striking paragraphs (2) and (7) and by redesignating paragraphs (3), (4), (5), and (6), and (8) as paragraphs (2), (3), (4), (5), and (6), respectively.

(b) CONFORMING AMENDMENT.—Section 6038(e)(1)(B)(ii) is amended by striking ‘‘section 162(e)(5)(B)(ii)’’ and inserting ‘‘section 162(e)(5)(B)(i)’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred on or after the date of the enactment of this Act.

SEC. 13310. RECHARACTERIZATION OF CERTAIN GAINS IN THE CASE OF PARTNER- SHIP PROFITS INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES.

(a) IN GENERAL.—Part IV of subchapter O of chapter 61 is amended by:

"(1) by redesignating section 1061 as section 1062, and

"(2) by inserting after section 1060 the following new section:

"SEC. 1061. PARTNERSHIP INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES.

"(a) IN GENERAL.—If one or more applicable partnership interests are held by a taxpayer at any time during the taxable year, the excess (if any) of—

"(1) the taxpayer’s net long-term capital gain with respect to such interests for such taxable year, over

"(2) the taxpayer’s net long-term capital gain with respect to such interests for such taxable year computed by applying paragraphs (3) and (4) of sections 1222 by substituting ‘‘3 years’’ for ‘‘2 years’’ shall be treated as short-term capital gain, notwithstanding section 83 or any election in effect under section 83(b).

"(b) SPECIAL RULE.—To the extent provided by the Secretary, subsection (a) shall not apply to income or gain attributable to any asset not held for portfolio investment on behalf of third party investors.

"(c) APPLICABLE PARTNERSHIP INTEREST.—For purposes of this section—

"(1) IN GENERAL.—Except as provided in this paragraph or paragraph (4), the term ‘applicable partnership interest’ means any interest in a partnership in which, directly or indirectly, controlling interests are held by or transferred to a person related to the taxpayer in a manner prescribed by the Secretary as is necessary to carry out the purposes of this section.

"(2) APPLICABLE PARTNERSHIP INTEREST.—The term ‘applicable partnership interest’ means—

"(A) so much of the taxpayer’s long-term capital gains with respect to such interest as is allocable to such interest, or

"(B) any amount treated as short-term capital gain under subsection (a) with respect to the transfer of such interest.

"(2) RELATED PERSON.—For purposes of this paragraph, a person is related to the taxpayer if—

"(A) the person is a member of the taxpayer’s family within the meaning of section 318(a)(1), or

"(B) the person performed a service within the current calendar year or within the preceding three calendar years in any applicable trade or business in which or for which the taxpayer performed a service.

"(e) REGULATIONS.—The Secretary shall prescribe such regulations (at the time and in the manner prescribed by the Secretary) as are necessary to carry out the purposes of this section.

"(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13311. PROHIBITION ON CASH, GIFT CARDS, AND OTHER NON-TANGIBLE PERSONAL PROPERTY EMPLOYEE ACHIEVEMENT AWARDS.

(a) IN GENERAL.—Subparagraph (A) of section 274(j)(3) is amended—

"(1) by striking ‘‘The term’’ and inserting the following:

"(i) In general.—The term ‘’;

"(2) by redesigning clauses (i), (ii), and (iii) as subclauses (I), (II), and (III), respectively, and conforming the margins accordingly, and

"(3) by adding at the end the following new clause:

"(II) Tangible personal property.—For purposes of clause (i), the term ‘tangible personal property’ shall not include—

"(I) cash, cash equivalents, gift cards, gift coupons, or gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a limited array of such items pre-selected or pre-approved by the employer), or

"(II) vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other property not of a personal nature.

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.

SEC. 13312. FLOOR PLAN FINANCING.

(a) APPLICABLE PARTNERSHIP INTEREST RELATED PERSON LIMITATION.—

"(1) IN GENERAL.—Section 183(a), as amended by section 13301, is amended—
(1) **IN GENERAL.**—The term ‘motor vehicle’ means a motor vehicle that is any of the following:

(i) An automobile.

(ii) A truck.

(iii) A recreational vehicle.

(iv) A motorcycle.

(v) Any self-propelled vehicle designed for transporting persons or property on a public street, highway, or road.

(vi) A boat.

(vii) Farm machinery or equipment.

(2) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2017.

SEC. 13402.\* LIMITATION ON CREDIT FOR CERTIFIED HISTORIC STRUCTURES.

(a) **IN GENERAL.**—Subsection (a) of section 47 is amended—

(A) in the case of any tax year for which an election is made under paragraph (B), by inserting after subparagraph (C)(ii) of such paragraph—

"(iv) CERTIFIED HISTORIC STRUCTURE. Any qualified rehabilitated building is placed in service, the rehabilitation credit for such year shall be the amount determined under this section (c)(1)(B) of the Internal Revenue Code of 1986 (as amended by subsection (b)) begins after such date.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13403. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE.

(a) **IN GENERAL.**—The credit allowed under subsection (a) with respect to any employee for any taxable year shall not exceed an amount equal to the product of the normal hourly wage rate of such employee for each hour (or fraction thereof) of actual services performed for the employer and the number of hours (or fraction thereof) for which family and medical leave is taken.

(b) **LIMITATION.**—The credit allowed under subsection (a) with respect to any employee for any taxable year shall not exceed 12 weeks.

(c) **ELIGIBLE EMPLOYER.**—For purposes of this section—

(I) **IN GENERAL.**— Except as provided in paragraph (2), the term ‘eligible employer’ means any employer who has in place a policy that meets the following requirements:

(1) The policy provides—

(i) A written policy that meets the following requirements:

(A) The policy provides—

(1) The policy provides—

(ii) CERTIFIED HISTORIC STRUCTURE.—Any expenditure attributable to the rehabilitation of a qualified rehabilitated building, unless the rehabilitation is a certified rehabilitation, regardless of any amount paid or incurred by the employer and the amount of annual paid family and medical leave that may be taken into account with respect to any employee under subsection (a) for any taxable year shall not exceed 12 weeks.

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

**PART V—BUSINESS CREDITS**

**Subpart A—General Provisions**

SEC. 13401. MODIFICATION OF ORPHAN DRUG CREDIT.

(a) **CREDIT RATE.**—Subsection (a) of section 45C is amended by striking “50 percent” and inserting “25 percent”.

(b) **ELECTION OF REDUCED CREDIT.**—Subsection (b) of section 280C is amended by redesigning paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(3) **ELECTION OF REDUCED CREDIT.**—(A) In the case of any taxable year for which an election is made under this paragraph—

(1) paragraphs (1) and (2) shall not apply, and

(2) the amount of the credit determined under section 45C(a) shall be the amount determined under subsection (B) of this section.

(B) **AMOUNT OF REDUCED CREDIT.**—The amount of credit determined under this subsection for any taxable year shall be the amount equal to the lesser of—

(i) the amount of credit determined under section 45C(a) without regard to this paragraph, or

(ii) the product of—

(1) the amount described in clause (i), and

(2) the maximum rate of tax under section 11(b).

(C) **ELECTION.**—An election under this paragraph for any taxable year shall be made not later than the time for filing the return for such taxable year (including extensions), shall be made on such return, and shall be made in such manner as the Secretary shall prescribe. Such an election, once made, shall be irrevocable.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to tax years beginning after December 31, 2017.
such employer provides paid family and medical leave in compliance with a policy which ensures that the employer—

(i) will not interfere with, restrain, or deny the exercise of the right to exercise, any right afforded under this Act, or

(ii) will not discharge or in any other manner discriminate against any individual for opposing any practice prohibited by the policy.

'(B) ADDITIONAL EMPLOYER: ADDITIONAL EMPLOYER.—For purposes of this paragraph—

'(i) ADDITIONAL EMPLOYER.—The term 'additional employer' means a qualifying employee who is not covered by title I of the Family and Medical Leave Act of 1993, as amended.

'(ii) ADDITIONAL EMPLOYER.—The term 'additional employer' means an eligible employer (determined without regard to this paragraph), whether or not covered by that title I, who offers paid family and medical leave to added employees.

'(C) AGRICULTURAL RULE.—All persons which are treated as a single employer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(4) TREATMENT OF BENEFITS MANDATED OR PAID BY A STATE OR LOCAL GOVERNMENTS.—For purposes of this section, any leave which is paid by a State or local government or required by a State or local law shall not be taken into account in determining the amount of paid family and medical leave provided by the employer.

'(5) Nothing in this subsection shall be construed as subjecting an employer to any penalty, liability, or other consequence (other than ineligibility for the credit allowed by reason of subsection (a) or recapturing the benefit of such credit) for failure to comply with the requirements of this subsection.

'(6) QUALIFYING EMPLOYERS.—For purposes of this section, the term 'qualifying employer' means any employer (as defined in section 2(e) of the Fair Labor Standards Act of 1938, as amended) who—

'(1) has been employed by the employer for 1 year or more, and

'(2) for the preceding year, had compensation not in excess of an amount equal to 60 percent of the amount applicable for such year under clause (i) of section 414(q)(1)(B).

'(e) FAMILY AND MEDICAL LEAVE.—'(1) IN GENERAL.—Except as provided in paragraph (2), for purposes of this section, the term 'family and medical leave' means leave of the type of the leave described in subparagraph (A), (B), (C), (D), or (E) of paragraph (1), or paragraph (3), of section 102(a) of the Family and Medical Leave Act of 1993, as amended, whether the leave is provided under that Act or by a policy of the employer.

'(2) EXCLUSION.—If an employer provides paid leave for family or medical leave (other than leave specifically for 1 or more of the purposes referred to in paragraph (1), that paid leave shall be treated to be family and medical leave under paragraph (1).

'(3) DEFINITIONS.—In this subsection, the terms 'vacation leave', 'personal leave', and 'medically sick leave' mean the leave of the type of the leave described in subparagraph (C), (D), (E), or (F) of section 102(a) of the Family and Medical Leave Act of 1993, as amended, to be provided by the employer, as the Secretary determines to be necessary or appropriate.

'(g) WAGES.—For purposes of this section, the term 'wages' has the meaning given such term by subsection (b) of section 3306 (determined without regard to any dollar limitation contained in such section) or, if such term shall not include any amount taken into account for purposes of determining any other credit allowed under this paragraph.

'(h) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(i) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(j) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(k) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(l) TREATMENT NOT TO BE CONSTRUED AS A VIOLATION OF INTERNAL REVENUE CODE.—The amendments made by section 501(t) shall not be construed as a violation of the Internal Revenue Code of 1986.

'(m) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(n) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(o) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(p) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(q) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(r) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(s) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(t) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(u) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(v) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(w) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(x) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.

'(y) AGGREGATION RULE.—All persons which are treated as a single taxpayer under subsections (a) and (b) of section 52 shall be treated as a single taxpayer.

'(z) TREATMENT TO HAVE CREDIT NOT APPLY.—

'(1) IN GENERAL.—A taxpayer may elect to have this section not apply for any taxable year.

'(2) OTHER RULES.—Rules similar to the rules of paragraphs (2) and (3) of section 51(c) shall apply for purposes of this subsection.
(f) as subsection (g) and by inserting after subsection (e) the following:

“(f) SPECIAL RULES FOR WITHHOLDING ON SALES OF PARTNERSHIP INTERESTS.—

“(1) IN GENERAL.—For purposes of this section, a partnership shall be treated as having an interest in a partnership property if the partnership’s adjusted basis in the partnership property exceeds by more than $250,000 the fair market value of such property, or

“(2) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers of partnership interests after December 31, 2017.

SEC. 13503. CHARITABLE CONTRIBUTIONS AND FOREIGN TAXES TAKEN INTO ACCOUNT IN DETERMINING LIMITATION ON ALLOWANCE OF PARTNER’S SHARE OF LOSS.

(a) IN GENERAL.—Subsection (d) of section 704 is amended—

(1) by striking “A partner’s distributive share” and inserting the following: “(1) IN GENERAL.—A partner’s distributive share”;

(2) by striking “Any excess of such loss” and inserting the following: “(2) CARRYOVER.—Any excess of such loss, and

(3) by adding at the end the following new paragraph:

“(3) SPECIAL RULES.—

“(A) IN GENERAL.—In determining the amount of any loss under paragraph (1), there shall be taken into account the partner’s distributive share of amounts described in paragraphs (4) and (6) of section 702(a).

“(B) EXCEPTION.—In the case of a charitable contribution of property whose fair market value exceeds its adjusted basis, subparagraph (A) shall not apply to the extent of the partner’s distributive share of such excess.

“(C) EFFECTIVE DATE.—The amendments made by this section shall apply to partnership taxable years beginning after December 31, 2017.

Subpart E—Insurance Reforms

SEC. 13511. NET OPERATING LOSSES OF LIFE INSURANCE COMPANIES.

(a) IN GENERAL.—Section 805(b) is amended by striking paragraph (5) and redesignating paragraph (5) as paragraph (4).

(b) CONFORMING AMENDMENTS.

(1) Part III of subchapter L of chapter 1 is amended by striking section 810 and by redesigning section 844 as follows:

“(A) the amount of the item at the close of the taxable year, computed on the old basis, and

“(B) the amount of the item at the close of the taxable year, computed on the new basis, and

“(C) the amount of the item at the close of the taxable year, computed on the old basis, and

“(D) the amount of the item at the close of the taxable year, computed on the new basis, and

“(E) the amount of the item at the close of the taxable year, computed on the old basis, and

“(F) the amount of the item at the close of the taxable year, computed on the new basis, and

“(G) the amount of the item at the close of the taxable year, computed on the old basis, and

“(H) the amount of the item at the close of the taxable year, computed on the new basis, and

“(I) the amount of the item at the close of the taxable year, computed on the old basis, and

“(J) the amount of the item at the close of the taxable year, computed on the new basis, and

“(K) the amount of the item at the close of the taxable year, computed on the old basis, and

“(L) the amount of the item at the close of the taxable year, computed on the new basis, and

“(M) the amount of the item at the close of the taxable year, computed on the old basis, and

“(N) the amount of the item at the close of the taxable year, computed on the new basis, and

“(O) the amount of the item at the close of the taxable year, computed on the old basis, and

“(P) the amount of the item at the close of the taxable year, computed on the new basis, and

“(Q) the amount of the item at the close of the taxable year, computed on the old basis, and

“(R) the amount of the item at the close of the taxable year, computed on the new basis, and

“(S) the amount of the item at the close of the taxable year, computed on the old basis, and

“(T) the amount of the item at the close of the taxable year, computed on the new basis, and

“(U) the amount of the item at the close of the taxable year, computed on the old basis, and

“(V) the amount of the item at the close of the taxable year, computed on the new basis, and

“(W) the amount of the item at the close of the taxable year, computed on the old basis, and

“(X) the amount of the item at the close of the taxable year, computed on the new basis, and

“(Y) the amount of the item at the close of the taxable year, computed on the old basis, and

“(Z) the amount of the item at the close of the taxable year, computed on the new basis.

SEC. 13502. MODIFY DEFINITION OF SUBSTANTIAL BUILT-IN LOSS IN THE CASE OF TRANSFER OF PARTNERSHIP INTEREST.

(a) IN GENERAL.—Paragraph (1) of section 743(d) is to read as follows:
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13514. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS TO SHAREHOLDERS FROM PRE-1984 POLICYHOLDERS SURPLUS ACCOUNTS

(a) In General.—Subpart D of part I of subchapter L is amended by striking section 815 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENT.—Section 801 is amended by striking subsection (c).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(d) PHASED INCLUSION OF REMAINING BALANCE OF POLICYHOLDERS SURPLUS ACCOUNTS.—In the case of any stock life insurance company which has a balance (determined as of the close of such company's last taxable year beginning before January 1, 2018) in an existing policyholders surplus account (as defined in section 815 of the Internal Revenue Code of 1986, as in effect before its repeal), the tax imposed by section 801 of such stock life insurance company taxable income for taxable years beginning after December 31, 2017, shall be the amount which would be imposed by such section for such taxable year:

(1) life insurance company taxable income for such year (within the meaning of such section 801 but not less than zero), plus

(2) such amounts, held at interest in connection with insurance and annuity contracts, but only if such obligations do not involve (A) the payment of dividends, (B) the payment of annuity payments, (C) the payment of the dividends or annuity payments referred to in subparagraphs (A) and (B) in respect of any contract, the highest assumed interest rate permitted to be used in computing reserves for that type of contract under the insurance laws of at least 26 States when the contract was issued, and (D) any other contract issued in a taxable year beginning after December 31, 2017, for which the prevailing commissioners' standard tables, as defined in subsection (b)(10), are in effect on the date the reserve is determined. In no case shall the amount determined under this paragraph (3) for any contract be less than the net surrender value of such contract. For purposes of paragraphs (2) and (3) and section 805(a)(1), the amount of the unpaid losses (other than losses on life insurance contracts) shall be the amount of the discounted unpaid losses as defined in section 846.

(2) Section 807(d)(1) is amended—

(A) by striking paragraphs (1), (2), (4), and (5), and

(B) by redesignating paragraph (6) as paragraph (4).

(c) By inserting before paragraph (3) the following new paragraph:

(1) DETERMINATION OF RESERVE.—

(A) In General.—For purposes of this paragraph (other than section 816), the amount of the life insurance reserves for a variable contract shall be equal to the sum of—

(i) the greater of—

(I) the net surrender value of such contract, or

(II) 92.87 percent of the reserve determined under paragraph (2).

(B) VARIABLE CONTRACTS.—For purposes of this paragraph (other than section 816), the amount of the life insurance reserves for a variable contract shall be separately accounted for under section 817, plus

(a) Variable Contracts—

(i) the variable rate of interest (other than a contract to which subparagraph (B) applies) shall be the greater of—

(I) the net surrender value of such contract, or

(II) 92.87 percent of the excess (if any) of the reserve determined under paragraph (2) over the amount in clause (i).

(b) Statutory Cap.—In no event shall the reserves determined under subparagraphs (A) or (B) for any contract as of any time exceed the amount which would be separately accounted for under section 817.

(2) Section 807(d)(2) is amended—

(A) by striking paragraphs (3), (4), (6), and (7) as paragraphs (2), (3), (4), and (5), respectively,

(B) by amending paragraph (2) as so redesignated to read as follows:

"(2) QUALIFIED SUPPLEMENTAL BENEFITS.—"
State on interest rates for reserves shall not be taken into account.

"(2) WHEN RATE DETERMINED.—The prevailing State assumed interest rate with respect to any contract under this subsection shall be determined as of the beginning of the calendar year in which the contract was issued.";

(Paragraph) (i) of section 811(d) is amended by striking "the greater of the prevailing State assumed interest rate or applicable Federal interest rate in effect under section 807" and inserting "the interest rate in effect under section 807(d)"; 

Subparagraph (A) of section 848(f)(6) is amended by striking "except that" and all that follows and inserting "except that the limitation of subsection (a)(3) shall apply, and";

Subparagraph (B) of section 9541(i)(5) is amended by striking "shall apply, and";

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13519. CAPITALIZATION OF CERTAIN POLICY ACQUISITION EXPENSES.

(a) IN GENERAL.—

(1) Section 848(a)(2) is amended by striking "12-month" and inserting "18-month".

(2) Section 848(c)(1) is amended by striking "1.75 percent" and inserting "2.1 percent".

(b) METHOD.—The method provided in this section shall apply to taxable years beginning after December 31, 2017.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to net premiums for taxable years beginning after December 31, 2017.

(2) TRANSITION RULE.—Specifically policy acquisition expenses required to be capitalized in a taxable year beginning before January 1, 2018, will continue to be allowed as a deduction ratably over the 120-month period beginning with the first month in the second half of such taxable year.

SEC. 13520. TAX REPORTING FOR LIFE SETTLEMENTS.

(a) IN GENERAL.—Subpart B of part III of chapter A of chapter 61, as amended by section 13306, is amended by adding at the end the following new section:

"SEC. 6050Y. RETURNS RELATING TO CERTAIN LIFE INSURANCE CONTRACT TRANSACTIONS.

"(a) REQUIREMENT OF REPORTING OF CERTAIN PAYMENTS.—

"(1) IN GENERAL.—Every person who acquires a life insurance company that bears the risk of life insurance contract that the buyer.

"(2) STATEMENT TO BE FURNISHED TO PERSONS WITH RESPECT TO WHICH INFORMATION IS REQUIRED.—Every person required to make a return under this subsection shall furnish to each person whose name is required to be set forth in such return a written statement showing—

"(A) the name, address, and TIN of the person making such payment,

"(B) the name, address, and TIN of each recipient of such payment,

"(C) the date of such payment,

"(D) the amount of each payment.

"(b) REPORTABLE POLICY SALE.—The term ‘reportable policy sale’ has the meaning given such term in section 101(a)(3)(B).

"(c) ISSUER.—The term ‘issuer’ means any life insurance company that bears the risk with respect to a life insurance contract on the date any return or statement is required to be made under this section.

"(d) DEFINITIONS.—For purposes of this section:

"(1) PAYMENT.—The term ‘payment’ means, with respect to any reportable policy sale, the amount of cash and the fair market value of any consideration transferred in the sale.

"(2) REPORTABLE POLICY SALE.—The term ‘reportable policy sale’ has the meaning given such term in section 101(a)(3)(B).

SEC. 13521. MODIFICATION OF RULES FOR LIFE INSURANCE PRORATION FOR PURPOSES OF DETERMINING THE DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 812 is amended to read as follows:

"SEC. 812. DEFINITION OF COMPANY’S SHARE AND POLICYHOLDERS’ SHARE.

"(a) COMPANY’S SHARE.—For purposes of sections 865(a)(4), the term ‘company’s share’ means—

"(A) in the case of any taxable year beginning after December 31, 2017, 70 percent.

"(b) POLICYHOLDER’S SHARE.—For purposes of section 807, the term ‘policyholder’s share’ means—

"(A) in the case of any taxable year ending after December 31, 2017, 30 percent.

(b) CONFORMING AMENDMENT.—Section 817A(c)(6)(C) is amended—

(1) by striking "and", and

(2) by inserting and inserting "and 807(d)(2)(B), and 812" and inserting "and 807(d)(2)(B)".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.
Subpart C—Banks and Financial Instruments

SEC. 13531. LIMITATION ON DEDUCTION FOR FDIC PREMIUMS.

(a) In General.—Section 162, as amended by sections 13302 and 13308, is amended by redesignating subsection (s) as subsection (t) and by inserting after subsection (r) the following new subsection:

"(s) DETERMINATION OF FDIC PREMIUMS PAID BY CERTAIN LARGE FINANCIAL INSTITUTIONS.—

"(1) In General.—No deduction shall be allowed for the applicable percentage of any FDIC premium paid or incurred by the taxpayer.

"(2) EXCEPTION FOR SMALL INSTITUTIONS.—

(Paragraph 1 shall not apply to any taxpayer for any taxable year if the total consolidated assets of such taxpayer (determined as of the close of such taxable year) do not exceed $10,000,000.

"(3) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means, with respect to any taxpayer for any taxable year, the ratio (expressed as a percentage but not greater than 100 percent) which—

"(A) the total consolidated assets of such taxpayer (determined as of the close of such taxable year), over

"(B) $10,000,000.

"(d) FDIC PREMIUMS.—For purposes of this subsection, the term ‘FDIC premium’ means any assessment imposed under section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)).

"(e) TOTAL CONSOLIDATED ASSETS.—For purposes of this subsection, the term ‘total consolidated assets’ has the meaning given such term under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365)."

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

Subpart D—S Corporations

SEC. 13541. EXPANSION OF QUALIFYING BENEFICIARIES OF AN ELECTING SMALL BUSINESS TRUST.

(a) In General.—Section 641(c)(2)(B)(v) is amended by adding at the end the following new sentence: ‘‘This clause shall not apply for purposes of subsection (b)(1)(C)’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on January 1, 2018.

SEC. 13542. CHARITABLE CONTRIBUTION DEDUCTION FOR ELECTING SMALL BUSINESS TRUSTS.

(a) In General.—Section 4944(c) is amended by adding at the end the following new subsection:

"(e)(1) Section 4944(c) shall not apply.

“(2) For purposes of section 170(b)(1)(G), adjusted gross income shall be computed in the same manner as in the case of an individual, except that the deduction for costs which are paid or incurred in connection with the administration of the trust and which would not have been incurred if the property were not held in such trust shall not be treated as allowable in arriving at adjusted gross income.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13533. COST BASIS OF SPECIFIED SECURITIES DETERMINED WITHOUT REGARD TO IDENTIFICATION.

(a) In General.—Section 1012 is amended by adding at the end the following new subsection:

“(c) COST BASIS OF SPECIFIED SECURITIES DETERMINED WITHOUT REGARD TO IDENTIFICATION.—

“(1) In General.—Unless the Secretary permits the use of an average basis method for determining cost, in the case of the sale, exchange, or other disposition of a specified security within the meaning of section 664(c)(3)(B), the basis (and holding period) of such security shall be determined on a first-in-first-out basis.

(b) EFFECTIVE DATE.—In the case of a sale, exchange, or other disposition of a specified security by a regulated investment company (as defined in section 885(a), paragraph (1) shall not apply.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 1012(c)(1) is amended by striking ‘‘the conventions prescribed by regulations issued under this section’’ and inserting ‘‘the method applicable for determining the cost of such security’’.

(2) Section 6045(g)(2)(A) is amended by inserting ‘‘unless the customer notifies the broker by means of making an adequate identification of the stock sold or transferred’’ after ‘‘this section’’.

(3) Section 6045(g)(2)(B)(i)(A) is amended by striking ‘‘unless the customer notifies’’ after ‘‘this section’’ and inserting ‘‘the customer notifies the’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to sales, exchanges, and other dispositions after December 31, 2017.

Subpart D—S Corporations

SEC. 13543. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS.

(a) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—In section 481(c)(1)(A), as amended by section 13104, as applicable terminally S corporation, any increase in tax under this chapter by reason of an adjustment required
by subsection (a)(2), and which is attributable to such corporation’s revocation described in paragraph (2)(A)(ii), shall be taken into account ratably during the 6-taxable year period beginning with the year of change.’’

(b) In General.—Section 1371 is amended by adding at the end the following new subsection:

‘‘(f) CASH DISTRIBUTIONS FOLLOWING POST-TERMINATION TRANSITION PERIOD.—

(1) In General.—In the case of a distribution of money by an eligible terminated S corporation after the post-termination transition period, the accumulated adjustments account shall be allocated to such distribution, and the distribution shall be chargeable to accumulated earnings and profits, in the same proportions as an account of such accumulated adjustments account bears to the amount of such accumulated earnings and profits.

(2) ELIGIBLE TERMINATED S CORPORATION.—For purposes of this subsection, the term ‘eligible terminated S corporation’ means any C corporation—

(A) which—

(i) was an S corporation on the day before the date of the enactment of the Tax Cuts and Jobs Act, and

(ii) during the 2-year period beginning on the date of such enactment makes a revocation of its election under section 1362(a), and

(B) the owners of the stock of which, determined on the date such revocation is made, are the same owners (and in identical proportions) as on the date of such enactment.

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

PART VII—EMPLOYMENT

Subpart A—Compensation

SEC. 13601. MODIFICATION OF LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.

(a) REPEAL OF PERFORMANCE-BASED COMPENSATION AND COMMISSION EXCEPTIONS FOR LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.—

(1) In General.—Paragraph (4) of section 162(m) is amended by striking subparagraphs (B) and (C) and by redesignating subparagraphs (D), (E), and (F) as subparagraphs (B), (C), (D), and (E), respectively.

(b) CONFORMING AMENDMENTS.—

(1) Paragraphs (5)(E) and (6)(D) of section 162(m) are each amended by striking ‘‘paragraphs (B), (C), and (D)’’ and inserting ‘‘paragraph (B)’’.

(2) Paragraphs (5)(G) and (6)(G) of section 162(m) are each amended by striking ‘‘(F) and (G)’’ and inserting ‘‘(D) and (E)’’.

(c) MODIFICATION OF DEFINITION OF COVERED EMPLOYEES.—Paragraph (3) of section 162(m) is amended—

(1) in subparagraph (A), by striking ‘‘as of the close of the taxable year, such employee is the officer of the taxpayer or is and inserting ‘‘such employee is the principal executive officer or principal financial officer of the taxpayer at any time during the taxable year, or was’’,

(2) in subparagraph (B)—

(A) by striking ‘‘4’’ and inserting ‘‘3’’, and

(B) by striking ‘‘other than the chief executive officer and insert ‘‘(other than any individual described in subparagraph (A)’’); and

(3) by striking ‘‘or’’ at the end of subparagraph (B) and inserting ‘‘, or’’, and by adding at the end the following:

‘‘(C) was a covered employee of the taxpayer at any time during the period described in paragraph (2) of section 101(b)(7) for any preceding taxable year beginning after December 31, 2016.’’

(b) M ODIFICATION OF DEFINITION OF COVERAGE OF EMPLOYER.—

(1) In General.—Section 162(m) is amended—

(A) in subparagraph (A), by striking ‘‘as of the close of the taxable year, the person receiving such remuneration from the employer is and inserting ‘‘there is no substantial risk of forfeiture of the rights to such remuneration’’;

(B) by striking ‘‘the portion of the base amount allocated to a covered employee by any person or governmental entity—

(i) such payment is contingent on such person or governmental entity—

(ii) the amount of remuneration paid by an applicable tax-exempt organization for the taxable year with respect to the organization, or

(iii) is controlled by, or is controlled by, the organization—

(iv) is a supported organization (as defined in section 509(a)(3)) during the taxable year with respect to the organization, or

(v) in the case of an organization which is a voluntary employees’ beneficiary association described in section 509(a)(9) that establishes, maintains, or makes contributions to such voluntary employees’ beneficiary association—

(vi) LIABILITY FOR TAX.—In any case in which remuneration from more than one employer is taken into account under this paragraph in determining the tax imposed by subsection (a)(1), each shall be liable for such tax in an amount which bears the same ratio to the total tax determined under subsection (a) with respect to such remuneration as—

(A) the amount of remuneration paid by such employer with respect to such employee, bears to

(B) the amount of remuneration paid by all such employers to such employee.

(2) EXCESS PARACHUTE PAYMENT.—For purposes of determining the tax imposed by subsection (a)(2)—

(A) IN GENERAL.—The term ‘‘excess parachute payment’’ means any payment in the nature of compensation to (or for the benefit of) a covered employee if—

(i) such payment is contingent on such employee’s separation from employment with the employer, and

(ii) the aggregate present value of the payments in the nature of compensation to (or for the benefit of) such individual which are contingent on such separation equals or exceeds an amount equal to 3 times the base amount.

Such term does not include any payment described in section 2903(a)(2) (relating to ex-
contract described in section 403(b) or a plan described in section 457(b).

57. (C) BASE AMOUNT. — Rules similar to the rules of subsection (b) shall apply for purposes of determining the dollar amount described in subsection (a).

(D) PROPERTY TRANSFERS; PRESENT VALUE. — Rules similar to the rules of paragraphs (3) and (4) of section 2606(d) shall apply.

(E) COORDINATION WITH DEDUCTION LIMITATION. — Remuneration the deduction for which is not allowed by reason of section 162(m) shall not be taken into account for purposes of this section.

(F) REGULATIONS. — The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations preventing employees from being misclassified as contractors or from being compensated through a pass-through or other entity to avoid such tax.

(b) CLERICAL AMENDMENT. — The table of sections for subchapter D of chapter 42 is amended by adding at the end the following new item:

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Sec. 4960. Tax on excess tax-exempt organization executive compensation.
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(c) EFFECTIVE DATE. — The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 12602. FUNDAMENTAL LIMITATION ON QUALIFIED EQUITY GRANTS.

(a) In general. — Section 83 is amended by adding at the end the following new subsection:

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(iii) who bears a relationship described in section 130(f)(1) to any individual described in subsection (b) or (c) of section 130(f), or

(iv) who bears any of the 10 preceding taxable years a relationship one of the highest-compensated officers of such corporation, determined with respect to such taxable year on the basis of the shareholder disclosure requirements provided under the Securities Exchange Act of 1934 (as if such rules applied to such corporation).

(c) Election. —

(A) TIME FOR MAKING ELECTION. — An election with respect to qualified stock shall be made under this subsection no later than 30 days after the date on which the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, and shall be made in a manner similar to the manner in which an election is made under subsection (b).

(B) LIMITATIONS. — No election may be made under this section with respect to any qualified stock if—

(1) the qualified employee has made an election under subsection (b) with respect to such qualified stock;

(2) any stock of the corporation which issued the qualified stock is readily tradable on an established securities market (as determined under paragraph (1)(B)(ii)) during any preceding calendar year;

(3) the right of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture.

(c) Definitions and special rules related to limitation on stock redemptions. —

(1) DEFERRAL STOCK. — For purposes of this paragraph, the term 'deferred stock' means stock with respect to which an election is in effect under subsection (b).

(2) DEFERRAL STOCK WITH RESPECT TO ANY INDIVIDUAL NOT TAKEN INTO ACCOUNT IF INDIVIDUAL AWARDS DEFERRAL STOCK DURING DEFERRAL PERIOD. — Stock purchased by a corporation from any individual shall not be treated as deferred stock for purposes of subparagraph (B)(iii) if such individual immediately after such purchase holds any deferred stock with respect to which an election is in effect for a period longer than the election with respect to the stock so purchased.

(3) PURCHASE OF ALL OUTSTANDING DEFERRAL STOCK. — The requirements of subparagraphs (a)(1) and (a)(2) of section 422(a) shall be treated as met if the stock so purchased includes all of the corporation's outstanding deferred stock.

(4) REPORTING. — Any corporation which has outstanding deferred stock as of the beginning of any calendar year and which purchases any of its outstanding stock during such calendar year shall include on its return of tax for the taxable year in which, or with which, such calendar year ends the total dollar amount of its outstanding stock so purchased during such calendar year and such other information as the Secretary requires for purposes of administering this paragraph.

(5) CONTROLLED GROUPS. — For purposes of this subsection, all persons treated as a single employer under section 414(b) shall be treated as a controlled group.

(6) NOTICE REQUIREMENT. — Any corporation which transfers qualified stock to a
Section 13611. Modification of rules applicable to length of service award plans.

(a) Maximum deferral amount.—Clause (ii) of section 402(c)(1)(B) is amended by striking "$3,000" and inserting "$6,000".

(b) Cost of living adjustment.—Subparagraph (B) of section 457(e)(11) is amended by adding at the end the following new paragraph:

"(ii) Cost of living adjustment.—In the case of taxable years beginning after December 31, 2017, the Secretary shall adjust the $6,000 amount under clause (ii) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter ending July 1, 2016, and any increase under this paragraph that is not a multiple of $500 shall be rounded to the next lowest multiple of $500.

(c) Application of section 402(c) to accruals.—Subparagraph (B) of section 457(e)(11), as amended by subsection (b), is amended by adding at the end the following new subparagraph:

"(ii) In general.—In the case of a plan described in subparagraph (B) as a non-cash fringe benefit, the term 'qualified plan loan offset amount' means a plan loan offset amount which is treated as distributed from a qualified employer plan solely by reason of—

(i) the termination of the qualified employer plan, or

(ii) the failure to meet the repayment terms of the loan from such plan because of the severance from employment of the participant.

(III) Plan loan offset amount.—For purposes of this subparagraph, the term 'qualified plan loan offset amount' means a plan loan offset amount which is treated as distributed from a qualified employer plan solely by reason of—

(i) the termination of the qualified employer plan, or

(ii) the failure to make the repayment terms of the loan from such plan because of the severance from employment of the participant.

(iv) Limitation.—This subparagraph shall not apply to any plan loan offset amount under this section.

(2) Exclusion from definition of non-qualified deferred compensation plan.—Subsection (d) of section 409A is amended by adding at the end the following new paragraph:

"(7) Treatment of qualified stock.—An arrangement under which an employee may receive qualified stock (as defined in section 83(i)) with respect to which a nonqualified deferred compensation plan solely because of an employee's election, or ability to make an election, to defer recognition of income under section 83(i), is treated as a nonqualified deferred compensation plan for purposes of this paragraph.

(b) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13612. Modification of rules applicable to length of service award plans.

(a) Maximum deferral amount.—Clause (ii) of section 402(c)(1)(B) is amended by striking "$3,000" and inserting "$6,000".

(b) Cost of living adjustment.—Subparagraph (B) of section 457(e)(11) is amended by adding at the end the following new paragraph:

"(ii) Cost of living adjustment.—In the case of taxable years beginning after December 31, 2017, the Secretary shall adjust the $6,000 amount under clause (ii) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter ending July 1, 2016, and any increase under this paragraph that is not a multiple of $500 shall be rounded to the next lowest multiple of $500.

(c) Application of section 402(c) to accruals.—Subparagraph (B) of section 457(e)(11), as amended by subsection (b), is amended by adding at the end the following new subparagraph:

"(ii) In general.—In the case of a plan described in subparagraph (B) as a non-cash fringe benefit, the term 'qualified plan loan offset amount' means a plan loan offset amount which is treated as distributed from a qualified employer plan solely by reason of—

(i) the termination of the qualified employer plan, or

(ii) the failure to make the repayment terms of the loan from such plan because of the severance from employment of the participant.

(III) Plan loan offset amount.—For purposes of this subparagraph, the term 'qualified plan loan offset amount' means a plan loan offset amount which is treated as distributed from a qualified employer plan solely by reason of—

(i) the termination of the qualified employer plan, or

(ii) the failure to make the repayment terms of the loan from such plan because of the severance from employment of the participant.

(iv) Limitation.—This subparagraph shall not apply to any plan loan offset amount under this section.

(2) Exclusion from definition of non-qualified deferred compensation plan.—Subsection (d) of section 409A is amended by adding at the end the following new paragraph:

"(7) Treatment of qualified stock.—An arrangement under which an employee may receive qualified stock (as defined in section 83(i)) with respect to which a nonqualified deferred compensation plan solely because of an employee's election, or ability to make an election, to defer recognition of income under section 83(i), is treated as a nonqualified deferred compensation plan for purposes of this paragraph.

(b) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

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May 1, 2017

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CONGRESSIONAL RECORD — SENATE

December 1, 2017

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114th Congress

Seventy-eighth Session

Mr. Chairman and Members of the Committee:

The following is a summary of the Tax Cuts and Jobs Act of 2017 (``Act''), which is a comprehensive piece of tax legislation that would make significant changes to the Internal Revenue Code of 1986.

The Act, which is the result of months of negotiations and debate, is designed to provide economic growth and jobs while also ensuring that tax reform is fair and results in a simpler, more efficient tax code.

The Act includes significant changes to the individual and corporate tax systems, as well as changes to tax policy and administration.

The Act is expected to provide a significant economic boost to the United States, with projections indicating that it will increase the gross domestic product by more than 1 percent over the next decade.

The Act includes a number of provisions that are designed to encourage investment and promote economic growth, such as the expansion of the research and development tax credit, the increase in the limit on the deduction for state and local taxes, and the increase in the limit on the deduction for interest on home mortgage debt.

The Act also includes a number of provisions that are designed to provide relief to middle-class taxpayers, such as the increase in the standard deduction, the expansion of the Earned Income Tax Credit, and the elimination of the alternative minimum tax.

The Act also includes a number of provisions that are designed to increase the competitiveness of American businesses, such as the reduction in the corporate tax rate, the elimination of the manufacturing deduction, and the expansion of the deduction for domestic production activities.

The Act also includes a number of provisions that are designed to improve the administration of the tax code, such as the simplification of tax returns and the expansion of the electronic filing requirement.

The Act also includes a number of provisions that are designed to address issues of tax avoidance and tax evasion, such as the expansion of the foreign corrupt practices Act, the expansion of the leaky bucket tax, and the expansion of the black market income tax.

The Act also includes a number of provisions that are designed to promote international trade, such as the expansion of the trade promotion Act and the expansion of the trade adjustment assistance Act.

The Act also includes a number of provisions that are designed to address issues of tax administration, such as the expansion of the small business administration, the expansion of the internal revenue service, and the expansion of the tax court.

The Act includes a number of provisions that are designed to provide significant relief to businesses and individuals, as well as to promote economic growth, jobs, and innovation.

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The Act includes a number of provisions that are designed to provide significant relief to businesses and individual...
SEC. 13701. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.

(a) IN GENERAL.—Chapter 42 is amended by adding at the end the following new subchapter:

"Subchapter H—Excise Tax Based on Investment Income of Private Colleges and Universities"

"Sec. 4968. Excise tax based on investment income of private colleges and universities.

"Sec. 4968. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES." (a) TAX TO BE IMPOSED.—There is hereby imposed on each applicable educational institution, for the taxable year, a tax equal to 1.4 percent of the net investment income of such institution for the taxable year.

"(b) APPLICABLE EDUCATIONAL INSTITUTION.—For purposes of this subchapter—

"(1) IN GENERAL.—The term ‘applicable educational institution’ means an eligible educational institution (as defined in section 25A(f)(2))—

"(A) which had, at least 500 tuition-paying students during the preceding taxable year,

"(B) which participated in and received funds through a program described in section 25A(f)(2)(B) during the preceding taxable year,

"(C) which is not described in the first sentence of section 511(a)(2)(B) (relating to State colleges and universities), and

"(D) the aggregate fair market value of the assets of which at the end of the preceding taxable year (other than those assets which are used directly in carrying out the institution’s activities, and which are at least $500,000 per student of the institution).

"(2) STUDENTS.—For purposes of paragraph (1), the number of students of an institution shall be determined based on the average daily number of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis).

"(c) NET INVESTMENT INCOME.—For purposes of this section, net investment income shall be determined under rules similar to the rules of section 4940(c).

"(d) ASSETS AND NET INVESTMENT INCOME OF RELATED ORGANIZATIONS.—

"(1) IN GENERAL.—For purposes of subsections (b)(1)(C) and (c), assets and net investment income of any related organization with respect to an educational institution shall be treated as assets and net investment income, respectively, of the educational institution, except that—

"(A) no such amount shall be taken into account with respect to more than 1 educational institution, and

"(B) unless such organization is controlled by such institution or is described in section 506(a)(2), with respect to such institution for the taxable year, assets and net investment income which are not intended or available for the use or benefit of the educational institution shall be taken into account.

"(2) RELATED ORGANIZATION.—For purposes of this subsection, the term ‘related organization’ means, with respect to an educational institution, any organization which—

"(A) controls, or is controlled by, such institution,

"(B) is controlled by 1 or more persons which also control such institution, or

"(C) is a supported organization (as defined in section 501(d)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.

"(b) COMPUTATION.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13702. UNRELATED BUSINESS TAXABLE INCOME SEPARATELY COMPUTED FOR EACH TRADE OR BUSINESS ACTIVITY

(a) IN GENERAL.—Subsection (a) of section 512 is amended by adding at the end the following new paragraph:

"(b) SPECIAL RULE FOR ORGANIZATION WITH MORE THAN 1 UNRELATED TRADE OR BUSINESS.—In the case of any organization with more than 1 unrelated trade or business—

"(A) unrelated business taxable income, including for purposes of determining any net operating loss deduction, shall be computed separately with respect to each such trade or business and without regard to subsection (b)(12),

"(B) the unrelated business taxable income of such organization shall be the sum of the unrelated business taxable income so computed with respect to each such trade or business, less a specific deduction under subsection (b)(12),

"(C) for purposes of subparagraph (B), unrelated business taxable income with respect to any such trade or business shall not be less than zero.

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13703. REPEAL OF DEDUCTION FOR AMOUNTS PAID IN EXCHANGE FOR COLLEGE ATHLETIC EVENT SEATING RIGHTS.

(a) IN GENERAL.—Section 170(l) is amended—

"(1) by striking paragraph (1) and inserting the following:

"(1) IN GENERAL.—No deduction shall be allowed under this section for any amount described in paragraph (2),’’, and

"(2) in paragraph (2)(B), by striking ‘‘such amount would be allowable as a deduction under this section for the fact that’’.

"(b) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2016.

SEC. 13704. REPEAL OF SUBSTANTIATION EXCEPTION IN CASE OF CONTRIBUTIONS gemacht by this Act, shall not apply to such net operating loss.

"(b) IN GENERAL.—Section 170(l) is amended—

"(1) by redesignating paragraph (4) as paragraph (5), and

"(2) by inserting after paragraph (3) the following new paragraph:

"(c) SPECIAL RULE.—In the case of the beer removed after December 31, 2017, and before January 1, 2020, the rate of tax shall be $1 on the first 6,000,000 barrels of beer

"(d) EFFECTIVE DATE.—The amendments made by this section shall apply to interest costs paid or accrued in calendar years beginning after December 31, 2017.

SEC. 13802. REDUCED RATE OF EXCISE TAX ON BEER

(a) IN GENERAL.—Paragraph (1) of section 565(a) is amended to read as follows:

"(1) IN GENERAL.—Section 170(l) is amended—

"(a) IMPOSITION OF TAX.—A tax is hereby imposed on all beer brewed or produced, and removed for consumption or sale, within the United States, or imported into the United States. Except as provided in paragraph (2), the rate of such tax shall be the amount determined under this paragraph.

"(b) RATE.—Except as provided in subparagraph (c), the rate of tax shall be $18 per barrel.

"(C) SPECIAL RULE.—In the case of the beer removed after December 31, 2017, and before January 1, 2020, the rate of tax shall be $16 on the first 6,000,000 barrels of beer

"(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2016.

PART IX—OTHER PROVISIONS

Subpart A—Craft Beverage Modernization and Tax Reform

SEC. 13801. PRODUCTION PERIOD FOR BEER, WINE, AND DISTILLED SPIRITS.

(a) IN GENERAL.—Section 263A(f) is amended—

"(1) by redesigning paragraph (4) as paragraph (5), and

"(2) by inserting after paragraph (3) the following new paragraph:

"(b) REDUCED RATE FOR CERTAIN DOMESTIC PRODUCTION.—Subparagraph (A) of section 561(a)(2) is amended—

"(1) in the heading, by striking ‘‘$7 A BARREL’’, and

"(2) by inserting ‘‘$5.50 in the case of beer removed after December 31, 2017, and before January 1, 2020’’ after ‘‘$7’’. (c) APPLICATION OF REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (a) of section 561 is amended—

"(1) in subparagraph (A), by inserting ‘‘only if the importer is an electing...''
importer under paragraph (4) and the barrels have been assigned to the importer pursuant to such paragraph after “during the calendar year”;

(2) by striking at the end of the following new paragraph:

“(4) REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

(A) IN GENERAL.—In the case of any barrel of beer which have been brewed or produced outside of the United States and imported into the United States, the rate of tax applicable is—

(i) the proprietors of transferring and receiving premises equipped and authorized by the Secretary or their delegate shall by regulations prescribe procedures as are determined appropriate, establish procedures for assignment of the reduced tax rate provided under this paragraph, which shall include—

(I) a limitation to ensure that the number of barrels of beer brewed or produced under this subchapter which reduced tax rate has been assigned by a brewer—

(II) to any importer does not exceed the number of barrels of beer brewed or produced under this subchapter which were imported into the United States by such brewer during the calendar year for which the reduced tax rate applies,

(ii) procedures that allow for the election of a brewer to assign and an importer to receive the reduced tax rate provided under this paragraph,

(iii) requirements that the brewer provide any information as the Secretary determines necessary and appropriate for purposes of carrying out this paragraph, and

(iv) procedures that allow for revocation of eligibility of the brewer and the importer for the reduced tax rate provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate.

(B) CONTROLLED GROUP.—For purposes of this section, any importer making an election described in subparagraph (A) shall be deemed to be a member of the controlled group of the brewer, as described under paragraph (2)(A) of section 5051, as amended by this section, is amended—

(1) by striking subparagraph (B), and

(2) by redesignating subparagraph (C) as subparagraph (B), and

(b) by adding at the end the following new paragraph:

“(5) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—

(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of a controlled group, the 6,000,000 barrel quantity specified in paragraph (1)(C) and the 2,000,000 barrel quantity specified in paragraph (2)(A) shall be applied to the controlled group, and the 6,000,000 barrel quantity specified in paragraph (1)(C) and the 60,000 barrel quantity specified in paragraph (2)(A) shall be apportioned among the brewers who are members of such group in such manner as the Secretary or their delegate shall by regulations prescribe. The purposes of the preceding sentence, the term ‘controlled group’ has the meaning assigned to it by subsection (a) of section 1563, except that for purposes of the preceding sentence, the phrase ‘at least 80 percent’ in each place it appears in such sub-section. Under regulations prescribed by the Secretary, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation.

(B) FOREIGN MANUFACTURERS AND IMPORTERS.—For purposes of paragraph (4), in the case of any wine gallons of wine produced in calendar year 2020, paragraphs (1)(C) and (2)(A) shall not apply and there shall be allowed as a credit against any tax imposed by this title (other than chapters 2, 21, and 22) an amount equal to the sum of

“(i) $1 per wine gallon on the first 30,000 wine gallons of wine, plus

“(ii) 90 cents per wine gallon on the first 100,000 wine gallons of wine to which clause (i) does not apply, plus

“(iii) 53.5 cents per wine gallon on the first 620,000 wine gallons of wine to which clauses (i) and (ii) do not apply, which are produced by the producer and removed during the calendar year for consumption or sale, or which are imported into the United States during the calendar year.

(B) ADJUSTMENT OF CREDIT FOR HARD CIDER.—In the case of wine described in subsection (a) of section 5051, paragraphs (1) and (2) of section 5051(c) shall be treated as a single taxpayer under section (b)(6), subparagraph (A) of this paragraph shall be added at the end of the following:

“(c) E ALLOWANCE OF CREDIT FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (c) of section 50H, as amended by subsection (a), is amended—

(1) by substituting ‘5.6 cents’ for ‘90 cents’, and

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

“(9) ALLOWANCE OF CREDIT FOR FOREIGN MANUFACTURERS AND IMPORTERS.—

(A) IN GENERAL.—In the case of any wine gallons of wine which have been produced outside of the United States and imported into the United States, the credit allowable under paragraph (8) shall be apportioned among the brewers who are members of such group in such manner as the Secretary or their delegate shall by regulations prescribe, provided that such person makes an election described in subparagraph (B)(i), to any electing importer of such wine gallons of wine pursuant to the requirements established by the Secretary under subparagraph (B). Under regulations prescribed by the Secretary, principles similar to the principles of the preceding two sentences shall be applied to a group of brewers under common control where one or more of the brewers is not a corporation.

(C) SINGLE TAXPAYER.—Pursuant to rules issued by the Secretary, two or more entities controlled by a group of corporations shall be treated as a single taxpayer for purposes of the application of this subsection.

(c) EFFECTIVE DATE.—The amendments made by the provisions of this subchapter shall be effective from the time of the enactment of this title, and paragraphs (1) and (2) of section 5051(c) shall be treated as a single taxpayer under section (b)(6), subparagraph (A) of this paragraph shall be added at the end of the following new paragraph:

“(d) CONTROLLED GROUP AND SINGLE TAXPAYER RULES.—

(A) IN GENERAL.—Section 5041(c) is amended—

(1) in subparagraph (A) of paragraph (8), by striking “beer may be removed” and inserting “‘(a) IN GENERAL.—Beer may be removed’”;

(2) by adding at the end the following:

“(b) TRANSFER OF BEER BETWEEN BONDED FACILITIES.—

(I) In general.—Beer may be removed from one bonded brewery to another bonded brewery, without payment of tax, and may be mingled with beer at the receiving brewery, subject to such conditions, including payment of the tax, and in such containers, as the Secretary by regulations shall prescribe, which shall include—

(A) any removal of beer from one brewery to another brewery belonging to the same brewer;

(B) any removal from a brewery owned by one corporation to a brewery owned by another corporation when—

(i) one such corporation owns the controlling interest in the other such corporation, or

(ii) the controlling interest in each such corporation is owned by the same person or persons;

(C) any removal from one brewery to another brewery when—

(i) the proprietors of transferring and receiving premises are independent of each other and neither has a proprietary interest, directly or indirectly, in the business of the other, and

(ii) the transferor has divested itself of all interest in the beer so transferred and the transferee has accepted responsibility for payment of the tax.

(2) TRANSFER OF LIABILITY FOR TAX.—For purposes of paragraph (1)(C), such relief from liability shall be effective from the time of removal from the transferor’s bonded premises, or from the time of divestment of interest, whichever is later.

(3) TERMINATION.—This subsection shall not apply to any calendar quarter beginning after December 31, 2017.

(b) REMOVAL FROM BREWERY BY PIPELINE.—

Section 5414 is amended by inserting “pursuant to section 5414 or” before “by pipeline”.

(c) EFFECTIVE DATE.—The amendments made by the provisions of this subchapter shall apply to any calendar quarters beginning after December 31, 2017.
"(ii) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph, and

(iv) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Sec-

(2) DEFINITIONS.—For purposes of this section, the term 'controlled group' shall have the meaning given such term by subsection (b) of section 5001, as added by this section, unless it is more restrictive than the meaning of the term 'controlled group' as defined under subsection (b) of section 5001, as added by this section, or purposes of carrying out this para-

(3) TERMINATION.—This subsection shall not apply to distilled spirits removed after December 31, 2019.

(c) CONFORMING AMENDMENT.—Section 7632(t)(2) is amended by striking "section 5001(a)(1)" and inserting "subsection (a)(1) of section 5001", as added by this section, and by striking "." after "subsection (a),".

(b) ASSIGNMENT.—The Secretary shall, by regulations, prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice.

(ii) quantity prescribed by such tolerances to this limitation as may be reasonably necessary in good commercial practice.

(iii) any erroneous or fraudulent information provided under clause (iii) which the Sec-

(2) BY DESIGNATING AS SUCH—(A) IN GENERAL.—Section 5001 is amended—

(II) from grape juice concentrate and

(i) which is derived solely from honey and water,

(II) by inserting "Subject to subsection (b),", after "subject to paragraph (1),".

(a) IN GENERAL.—Section 5001 is amended—

(1) of such section did not apply".

(iii) which contains no fruit product or fruit flavoring, and

(1) by redesigning paragraph (2) as paragraph (4) and inserting "in paragraph (2) the following new paragraph:

(3) REDUCED TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (c) of section 5001, as added by this section, is amended—

(iv) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate.

(C) RULES FOR NON-CORPORATIONS.—Under regulations prescribed by the Secretary, principles similar to the principles of sub-

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

SEC. 13805. ADJUSTMENT OF ALCOHOL CONTENT LIMITATION AS MAY BE REASONABLY NECESSARY IN GOOD COMMERCIAL PRACTICE.

SEC. 13806. DEFINITION OF MEAD AND LOW ALCOHOL BY VOLUME WINE.

(a) IN GENERAL.—Section 5001 is amended—

(3) REDUCED TAX RATE FOR CERTAIN DISTILLED SPIRITS.

(2) by redesigning paragraph (3) as paragraph (4) and inserting "in this paragraph as the 'reduced tax rate') may be assigned by the distilled spirits operation to assign and an importer to receive the reduced tax rate provided under this paragraph.

(iii) requirements that the distilled spirits operation provide any information as the Secretary determines necessary and appro-

(2) by redesigning paragraph (3) as paragraph (4) and inserting "in this paragraph as the 'reduced tax rate') may be assigned by the distilled spirits operation to assign and an importer to receive the reduced tax rate provided under this paragraph.

(IV) shall apply to wine.

(iii) which contains no fruit product or fruit flavoring, and

(III) from grape juice concentrate and

(1) by redesigning paragraph (3) as paragraph (4) and inserting "in paragraph (2) the following new paragraph:

(II) to all importers does not exceed the

(III) to any importer does not exceed the

(c) APPLICATION OF TAX RATE FOR FOREIGN MANUFACTURERS AND IMPORTERS.—Subsection (c) of section 5001, as added by this section, is amended—

(3) REDUCED TAX RATE FOR CERTAIN DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5001 is amended by redesignating paragraphs (a) and (b) of paragraph (1) as paragraphs (b) and (c) respectively, and by inserting after subsection (b) the following new subsection:

(iii) requirements that the distilled spirits operation provide any information as the Secretary determines necessary and appro-

(II) to all importers does not exceed the

(ii) which is derived—

(A) $2.70 per proof gallon on the first 100,000 proof gallons of distilled spirits, and

(B) $13.34 per proof gallon on the first 22,200,000 proof gallons of distilled spirits to which subparagraph (A) does not apply, which have been imported by the importer into the United States during the calendar year.

(2) DEFINITIONS.—

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

(a) IN GENERAL.—Section 5001 is amended—

(1) by redesigning paragraph (3) as paragraph (4) and inserting "in paragraph (2) the following new paragraph:

(a) MEAD.—For purposes of this section, the term 'mead' means a wine—

(1) of such section did not apply".

(2) by redesigning paragraph (2) as paragraph (4) and inserting "in paragraph (2) the following new paragraph:

(3) REDUCED TAX RATE FOR CERTAIN DISTILLED SPIRITS.

(1) include—

(A) a foreign producer to assign and an importer

(IV) shall apply to wine.

(iii) which contains no fruit product or fruit flavoring, and

(IV) shall apply to wine.

(2) by redesigning paragraph (2) as paragraph (4) and inserting "in paragraph (2) the following new paragraph:

(iii) which contains no fruit product or fruit flavoring, and

(iii) which contains no fruit product or fruit flavoring other than grape, and

(i) which is derived solely from honey and water,

(IV) shall apply to wine.

(iv) procedures that allow for revocation of eligibility of the foreign producer and the importer for the tax credit provided under this paragraph in the case of any erroneous or fraudulent information provided under clause (iii) which the Secretary deems to be material to qualifying for such reduced rate.

(C) RULED OUT AS NOT MEETING THE REQUIREMENTS OF SUBPARA-

(ii) which is derived—

(i) which is derived solely from honey and water,

(II) from grape juice concentrate and

(II) from grape juice concentrate and

(1) by inserting "in paragraph (2) the following new paragraph:

(ii) which is derived—

(i) which is derived solely from honey and water,

(II) from grape juice concentrate and

(II) to all importers does not exceed the

(III) to any importer does not exceed the

(iii) which contains no fruit product or fruit flavoring other than grape, and

(iii) which contains no fruit product or fruit flavoring other than grape, and

(III) from grape juice concentrate and

(i) which is derived solely from honey and water,
‘‘(b) INCLUSION IN GROSS INCOME.—In the case of a Settlement Trust which has been assigned payments described in subsection (a), gross income shall include such payments by such Settlement Trust pursuant to the assignment and shall have the same character as if such payments were received by the Native Corporation.

‘‘(c) TERM OF ASSIGNMENT.—The amount and scope of any assignment under subsection (a) shall be described with reasonable particularity and may either be in a particular form or more such payments or in a fixed dollar amount.

‘‘(d) DURATION OF ASSIGNMENT; REVOCABILITY.—An assignment under subsection (a) shall specify—

``(1) a duration either in perpetuity or for a period of time, and

``(2) the extent to which an assignment is revocable.

``(f) PROHIBITION ON DEDUCTION.—Notwithstanding section 247, no deduction shall be allowed to a Native Corporation for purposes of any amount described in subsection (a).

``(g) Definitions.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning ascribed in section 646(h).’’.

The amount of any assignment under subsection (a) shall be described with reasonable particularity and may either be in a particular form or more such payments or in a fixed dollar amount.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

(G) ELECTION BY SETTLEMENT TRUST TO DEFER INCOME RECOGNITION.—

``(1) IN GENERAL.—Any Native Corporation holding property shall be treated as—

``(A) in the case of a cash contribution, the holder of such property from the time of contribution until the sale or exchange of such property, in whole or in part, by the Settling Corporation;

``(B) in the case of non-cash property, the holder of such property from the time the property was contributed until the sale or exchange of such property.

``(2) TREATMENT.—In the case of a contribution described in paragraph (1), any income or gain realized on the sale or exchange of such property shall be treated as—

``(A) for such amount of the income or gain as is equal to or less than the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer's election under this subsection, ordinary income, and

``(B) for any amounts of the income or gain which are in excess of the amount of income which would be included in income at the time of contribution under subsection (f)(3) but for the taxpayer's election under this subsection, realized ordinary income.

``(3) ELECTION.—

``(A) IN GENERAL.—For each taxable year, a Settlement Trust may elect to apply this subsection to any property described in subsection (a) of any of the 15 succeeding years in which the contribution was made.

``(B) LIMITATION AND CARRYOVER.—To the extent that the aggregate amount of contributions described in subsection (a) for any taxable year exceeds the limitation under paragraph (1), such excess shall be treated as a deduction described in subsection (a) in each of the 15 succeeding years in order of time.

``(d) WITHDRAWAL.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning ascribed in section 646(h).

``(e) ELECTION.—

``(1) IN GENERAL.—For each taxable year, a Native Corporation may elect to have this section apply for such taxable year on the income tax return or an amendment or supplement to the return of the Native Corporation, with such election to have effect solely for such taxable year.

``(2) REVOCA TION.—Any election made by a Native Corporation pursuant to this subsection may be revoked pursuant to a timely amendment or supplement to the income tax return of such Native Corporation.

``(f) ADDITIONAL RULES.—

``(1) EARNINGS AND PROFITS.—Notwithstanding section 646(d)(2), in the case of a Native Corporation which claims a deduction under this section for any taxable year, the earnings and profits of the Native Corporation for such taxable year shall be reduced by the amount of such deduction.

``(g) AMOUNT AND SCOPE OF ASSIGNMENT.—

``(1) IN GENERAL.—Subject to subsection (g), a Settlement Trust shall include in income the amount of any deduction allowed under this section in the taxable year in which the Settlement Trust actually receives such contribution.

``(2) GAIN OR LOSS.—No gain or loss shall be recognized by the Native Corporation with respect to a contribution of property for which a deduction is allowed under this section.

``(h) INCOME.—Subject to subsection (g), a Settlement Trust shall include in income the amount of any deduction allowed under this section in the taxable year in which such property was contributed.

``(i) BASIS.—The basis that a Settlement Trust holds for property under this section shall be equal to the lesser of—

``(1) the adjusted basis of the Native Corporation in such property immediately before such contribution; or

``(2) the fair market value of the property immediately before such contribution.

``(j) PROHIBITION ON DEDUCTION.—A deduction allowed under this section with respect to any contributions made to a Settlement Trust which are in violation of subsection (a)(2) or (c)(2) of section 39 of the Alaska Native Claims Settlement Act (43 U.S.C. 1629e).’’

‘‘(I) ASSESSMENT.—Notwithstanding section 6501(a), any amount described in subclause (III) of clause (i) may be assessed, or a proceeding in court with respect to such amount may be initiated, within 4 years after the date on which the return making the election under this subsection for such property was filed.

‘‘(J) CONFORMING AMENDMENT.—The table of sections for part VIII of chapter B of chapter 1 is amended by inserting before the item relating to section 246 the following new item:

``(k) Settlement Trusts.’’

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years for which the period of limitation on refund or credit under section 6511 of the Internal Revenue Code of 1986 has not expired.

(B) ONE-YEAR WAIVER OF STATUTE OF LIMITATIONS.—If the period of limitation on a credit or refund resulting from the amendments made by paragraph (1) expires before the end of the 1-year period beginning on the date of the enactment of this Act, refund or credit of such overpayment (to the extent attributable to such amendments) may, nevertheless, be made or allowed if claim therefor is filed before the close of such 1-year period.

(C) INFORMATION REPORTING FOR DEDUCTIBLE CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

``(1) IN GENERAL.—Section 303(e) is amended by—

``(A) in the heading, by striking ‘‘SPONSORING’’

``(B) by adding at the end the following new subsection:

``(c) DEDUCTIBLE CONTRIBUTIONS BY NATIVE CORPORATIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

``(1) IN GENERAL.—Any Native Corporation (as defined in subsection (m) of section 3 of the Alaska Native Claims Settlement Act (43 U.S.C. 1620(m))) which has made a contribution to a Settlement Trust (as defined in subsection (t) of such section) to which an election under subsection (e) of section 247 applies shall provide such Settlement Trust with a statement regarding such election not later than January 31 of the calendar year subsequent to the calendar year in which the contribution was made.

``(2) CONTENT OF STATEMENT.—The statement described in paragraph (1) shall include—

``(A) the total amount of contributions to which the election under subsection (e) of section 247 applies;

``(B) for each contribution, whether such contribution was in cash,
"(C) for each contribution which consists of property other than cash, the date that such property was acquired by the Native Corporation and the adjusted basis and fair market value of such property on the date such property was contributed to the Settlement Trust.

"(D) the date on which each contribution was made to the Settlement Trust, and

"(E) such information as the Secretary determines to be necessary or appropriate for the identification of such contribution and the accurate inclusion of income relating to such contributions by the Settlement Trust.''.

(2) CONFORMING AMENDMENT.—The item relating to the table of sections for subpart A of part III of subchapter A of chapter 61 is amended to read as follows: ‘‘Sec. 6089H. Information With Respect to Alaska, Native Settlement Trusts and Native Corporations.’’

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

SEC. 13822. AMOUNTS PAID FOR AIRCRAFT MANAGEMENT SERVICES.

(a) In General.—Section (e) of section 4261 is amended by adding at the end the following new paragraph:

"(5) Amounts paid for aircraft management services.—

‘‘(A) IN GENERAL.—No tax shall be imposed by this section or section 4217 on any amounts paid by an aircraft owner for aircraft management services related to

‘‘(i) maintenance and support of the aircraft owner’s aircraft, or

‘‘(ii) flights on the aircraft owner’s aircraft.

‘‘(B) AIRCRAFT MANAGEMENT SERVICES.—For purposes of subparagraph (A), the term ‘aircraft management services’ includes—

‘‘(i) aircraft owner with administrative and support services, such as scheduling, flight planning, and weather forecasting;

‘‘(ii) obtaining insurance;

‘‘(iii) maintenance, storage and fueling of aircraft;

‘‘(iv) hiring, training, and provision of pilots and crew;

‘‘(v) establishing and complying with safety standards, and

‘‘(vi) such other services as are necessary to support flights operated by an aircraft owner.

‘‘(C) LESSER TREATED AS AIRCRAFT OWNER.—

‘‘(i) IN GENERAL.—For purposes of this paragraph, the ‘aircraft owner’ includes a person who leases the aircraft other than under a disqualified lease.

‘‘(ii) DISQUALIFIED LEASE.—For purposes of clause (i), the term ‘disqualified lease’ means a lease from a person providing aircraft management services with respect to such aircraft (or a related person (within the meaning of section 4958(c)(4) to such person providing such services), if such lease is for a term of 31 days or less.

‘‘(D) PRO RATA ALLOCATION.—In the case of amounts paid to any person which (but for this subsection) are subject to the tax imposed by subsection (a), a portion of which consists of amounts described in subparagraph (A) of this paragraph shall apply on a pro rata basis only to the portion which consists of amounts described in such subparagraph.

‘‘(E) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid after the date of the enactment of this Act.

SEC. 13823. OPPORTUNITY ZONES.

(a) In General.—Chapter 1 is amended by adding at the end the following:

‘‘Subchapter Z—Opportunity Zones

‘‘Sec. 1400Z–1. Designation.

‘‘Sec. 1400Z–2. Special rules for capital gains invested in opportunity zones.

‘‘SEC. 1400Z–3. QUALIFIED OPPORTUNITY ZONE DEFINED.—For the purposes of this subchapter, the term ‘qualified opportunity zone’ means a portion of which is designated as a qualified opportunity zone.

‘‘Sec. 1400Z–4. DESIGNATION.—

‘‘(1) IN GENERAL.—For purposes of subsection (a), a population census tract that is a low-income community is designated as a qualified opportunity zone.

‘‘(2) LIMITATION.—Not more than 5 percent of the population of any population census tract in a State as a qualified opportunity zone may be designated under paragraph (1).

‘‘(3) MINIMUM DESIGNATION IS IN EFFECT.—A designation as a qualified opportunity zone shall remain in effect for the period beginning on the date of the designation and ending on the last day of the 10th calendar year beginning on or after such date of designation.

‘‘(4) QUALIFIED OPPORTUNITY FUND.—For purposes of this section—

‘‘(A) QUALIFIED OPPORTUNITY FUND.—The term ‘qualified opportunity fund’ means any investment vehicle which is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (other than another qualified opportunity fund) that holds at least 90 percent of its assets in qualified opportunity zone property, determined—

‘‘(i) on the last day of the first 6-month period beginning on or after the date of such designation, and

‘‘(ii) on the last day of the taxable year of the fund.

SEC. 1400Z–2. SPECIAL RULES FOR CAPITAL GAINS INVESTED IN OPPORTUNITY ZONES.

(a) In General.—In the case of gain from the sale to, or exchange with, an unrelated person of any property held by the taxpayer, at the election of the taxpayer—

(i) gross income for any taxable year shall not include so much of such gain as does not exceed the aggregate amount invested by the taxpayer in a qualified opportunity fund during the 180 days period beginning on the date of such sale or exchange.

(ii) the amount of gain excluded by paragraph (1) shall be included in gross income as provided by subsection (b), and

(c) subsection (c) shall apply.

No election may be made under the preceding sentence with respect to a sale or exchange if an election previously made with respect to such sale or exchange is in effect.

(b) DEFERRAL OF GAIN INVESTED IN OPPORTUNITY ZONE PROPERTY.—

(i) YEAR OF INCLUSION.—Gain to which subsection (a)(2) applies shall be included in income in the taxable year which includes the earlier of—

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

(B) December 31, 2026.

(ii) AMOUNT INCLUDIBLE.—

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

‘‘(i) the lesser of the amount of gain excluded under paragraph (1) or the fair market value of the property as determined as of the date described in paragraph (1), over

‘‘(ii) the taxpayer’s basis in the investment vehicle which is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (other than another qualified opportunity fund) that holds at least 90 percent of its assets in qualified opportunity zone property, determined—

‘‘(i) on the last day of the first 6-month period beginning on or after the date of such designation, and

‘‘(ii) on the last day of the taxable year of the fund.

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

(iv) INVESTMENTS HELD FOR 7 YEARS.—In the case of any investment held by the taxpayer for at least 7 years, in addition to any adjustment made under clause (iii), the basis of such property shall be increased by an amount equal to 5 percent of the amount of gain deferred by reason of subsection (a)(1).

(c) SPECIAL RULE FOR INVESTMENTS HELD FOR AT LEAST 10 YEARS.—In the case of any investment held by the taxpayer for at least 10 years and with respect to which the taxpayer makes an election under this subsection, the basis of such property shall be increased by an amount equal to 20 percent of the fair market value of such investment on the date that the investment is sold or exchanged.

(d) QUALIFIED OPPORTUNITY FUND.—For purposes of this section—

‘‘(1) QUALIFIED OPPORTUNITY FUND.—The term ‘qualified opportunity fund’ means any investment vehicle which is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (other than another qualified opportunity fund) that holds at least 90 percent of its assets in qualified opportunity zone property, determined—

‘‘(A) on the last day of the first 6-month period beginning on or after the date of such designation, and

‘‘(B) on the last day of the taxable year of the fund.
“(2) QUALIFIED OPPORTUNITY ZONE PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified opportunity zone property’ means property which is—

“(i) qualified opportunity zone stock,

“(ii) qualified opportunity zone partnership interest, or

“(iii) qualified opportunity zone business property.

“(B) QUALIFIED OPPORTUNITY ZONE STOCK.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘qualified opportunity zone stock’ means any stock in a domestic corporation if—

“(I) such stock is acquired by the taxpayer after December 31, 2017, at its original issue price (directly or through an underwriter) from the corporation solely in exchange for cash,

“(II) as of the time such stock was issued, such corporation was a qualified opportunity zone business, or

“(III) during substantially all of the time the corporation was being organized for purposes of being a qualified opportunity zone business, and

“(B) the corporation was the acquiring corporation if—

“(i) such property was acquired by the taxpayer after December 31, 2017, from the corporation solely in exchange for cash,

“(ii) as of the time such interest was acquired, such partnership was a qualified opportunity zone partnership interest means any capital or profits interest in a domestic partnership if—

“(I) such interest is acquired by the taxpayer after December 31, 2017, from the partnership solely in exchange for cash,

“(II) as of the time such interest was acquired, such partnership was a qualified opportunity zone partnership, or

“(III) during substantially all of the time such partnership was being organized for purposes of being a qualified opportunity zone business, and

“(E) QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

“(1) IN GENERAL.—The term ‘qualified opportunity zone business property’ means tangible property used in a trade or business of the taxpayer if—

“(I) such property was acquired by the taxpayer after December 31, 2017, from the partnership solely in exchange for cash,

“(II) as of the time such property was acquired, such partnership was a qualified opportunity zone partnership, or

“(III) during substantially all of the time such partnership was being organized for purposes of being a qualified opportunity zone business, and

“(E) QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

“(1) IN GENERAL.—The term ‘qualified opportunity zone business property’ means tangible property used in a trade or business of the taxpayer if—

“(I) such property was acquired by the taxpayer after December 31, 2017, from the partnership solely in exchange for cash,

“(II) as of the time such property was acquired, such partnership was a qualified opportunity zone partnership, or

“(III) during substantially all of the time such partnership was being organized for purposes of being a qualified opportunity zone business, and

“(D) QUALIFIED OPPORTUNITY ZONE BUSINESS.—

“(1) IN GENERAL.—The term ‘qualified opportunity zone business’ means—

“(A) an eligible community development entity that is organized and operated under State law for the purpose of developing, rehabilitating, and preserving affordable housing in a qualified opportunity zone, or

“(B) any other business if—

“(I) such business is organized and operated in a qualified opportunity zone, and

“(II) all of the tangible personal property used in the trade or business of such business shall be treated as substantially improved by the taxpayer during the 30-month period beginning on the date such property was placed in service.

“(2) QUALIFIED OPPORTUNITY ZONE BUSINESS.—

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

“(i) in which substantially all of the tangible personal property used or leased by the taxpayer is qualified opportunity zone business property,

“(ii) which satisfies the requirements of paragraphs (2), (4), and (8) of section 1397(c)(2), and

“(iii) which is not described in section 142(c)(6)(B).

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

“(1) APPLICABLE RULES.—

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

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

“(i) one investment that only includes amounts to which the election under subsection (a)(1) 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).

“(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), determined by substituting ‘20 percent’ for ‘50 percent’ each place it occurs in such sections.

“(3) DECEDENTS.—In the case of a decedent, amounts recognized under this section shall, if not properly includible in the gross income of the decedent, be includible in gross income as provided by section 691.

“(4) RECORDS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including—

“(A) rules for the certification of qualified opportunity funds for the purposes of this section, and

“(B) rules to prevent abuse.

“(1) FAILURE TO MEET REQUIREMENTS OF QUALIFIED OPPORTUNITY FUND TO MAINTAIN INVESTMENT STANDARD.—

“(1) IN GENERAL.—If a qualified opportunity fund fails to meet the 90-percent requirement of subsection (c)(1), the qualified opportunity fund shall pay a penalty for each month it fails to meet the requirement in an amount equal to the product of—

“(A) the excess of—

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

“(ii) the aggregate amount of qualified opportunity zone property held by the fund, multiplied by

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

“(2) SPECIAL RULE FOR PARTNERSHIPS.—In the case that the qualified opportunity fund is a partnership, the penalty imposed by paragraph (1) shall be taken into account proportionally as part of the distributive share of each partner of the partnership.

“(3) REASONABLE CAUSE EXCLUSION.—No penalty shall be imposed under this subsection if it is shown that such failure is due to reasonable cause.”.

“(b) BASIS ADJUSTMENTS.—Section 106(a) is amended by striking “and” at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting “, and”, and by inserting after paragraph (37) the following:

“(38) to the extent provided in subsections (b)(2) and (c) of section 14002—

“(C) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“SUBCHAPTER Z. OPPORTUNITY ZONES”.

“(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.


“PART I—OUTBOUND TRANSACTIONS

“Subpart A—Establishment of Participation Exemption System for Taxation of Foreign Income

“SEC. 14101. DEDUCTION FOR FOREIGN-SOURCE PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS

“(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by inserting after section 245 the following new section:

“SEC. 245A. DEDUCTION FOR FOREIGN-SOURCE PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

“(a) IN GENERAL.—In the case of any dividend received from a specified 10-percent owned foreign corporation by a domestic corporation which is a United States shareholder with respect to such foreign corporation, there shall be allowed as a deduction an amount equal to the foreign-source portion of such dividend.

“(b) SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘specified 10-percent owned foreign corporation’ means any foreign corporation with respect to which any domestic corporation is a United States shareholder with respect to such corporation.

“(2) EXCLUSION OF PASSIVE FOREIGN INVESTMENT COMPANIES.—Such term shall not include any controlled foreign investment company (as defined in section 1297) with respect to the shareholder and which is not a controlled foreign corporation.

“(c) FOREIGN-SOURCE PORTION.—For purposes of this section—

“(1) IN GENERAL.—The foreign-source portion of any dividend distributed during such taxable year by a specified 10-percent owned foreign corporation is an amount which bears the same ratio to such dividend as—

“(A) the undisputed foreign earnings of the specified 10-percent owned foreign corporation, bears to

“(B) the total undisputed earnings of such corporation, and

“(2) UNDISBURSTED EARNINGS.—The term ‘undisputed earnings’ means the amount of the earnings and profits of the specified 10-percent owned foreign corporation (computed in accordance with sections 961(a) and 986)—

“(A) as of the close of the taxable year of the specified 10-percent owned foreign corporation in which the dividend is distributed, and

“(B) without diminution by reason of dividends distributed during such taxable year.

“(3) UNDISBURSTED FOREIGN EARNINGS.—The term ‘undisputed foreign earnings’ means the portion of the undisputed earnings which is attributable to neither—

“(A) income described in subparagraph (A) of section 254(a)(5), nor
“(B) dividends described in subparagraph (B) of such section (determined without regard to section 245(a)(12)).

“(d) DISALLOWANCE OF FOREIGN TAX CREDIT.—

“(1) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued with respect to any distribution of any portion of which constitutes a dividend for which a deduction is allowed under this section.

“(2) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 263A for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).

“(e) SPECIAL RULES FOR HYBRID DIVIDENDS.—

“(1) IN GENERAL.—Subsection (a) shall not apply to any dividend received by a United States shareholder from a controlled foreign corporation if the dividend is a hybrid dividend.

“(2) HYBRID DIVIDENDS OF TIERED CORPORATIONS.—If a controlled foreign corporation with respect to which a domestic corporation is a United States shareholder receives a hybrid dividend from any other controlled foreign corporation with respect to which such domestic corporation is also a United States shareholder, then, notwithstanding any other provision of this title—

“(A) the hybrid dividend shall be treated for purposes of section 951(a)(1)(A) as subpart F income of the receiving controlled foreign corporation for the taxable year of the controlled foreign corporation in which the dividend was received, and

“(B) the United States shareholder shall include in gross income an amount equal to the shareholder’s pro rata share (determined in the same manner as under section 951(a)(2)) of the subpart F income described in subparagraph (A).

“(3) DENIAL OF FOREIGN TAX CREDIT, ETC.—

“The rules of subsection (a) shall apply to any hybrid dividend received by, or any amount included under paragraph (2) in the gross income of, a United States shareholder.

“(4) HYBRID DIVIDEND.—The term ‘hybrid dividend’ means an amount received from a controlled foreign corporation—

“(A) for which a deduction would be allowed under subsection (a) but for this subsection, and

“(B) for which the controlled foreign corporation received a deduction (or other tax benefit) from taxes imposed by any foreign country.

“(f) SPECIAL RULE FOR PURCHASING DISTRIBUTIONS OF PASSIVE FOREIGN INVESTMENT COUNTRIES.—Any amount which is treated as a dividend under section 1291(d)(2)(B) shall not be treated as a dividend for purposes of this section.

“(g) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations for the treatment of United States shareholders owning stock of a specified 10 percent owned foreign corporation through a partnership.”.

(b) APPLICATION OF HOLDING PERIOD REQUIREMENT.—

Subsection (c) of section 246 is amended by

(1) by striking ‘‘or 245’’ in paragraph (1) and inserting ‘‘245, or 245A’’, and

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

“(5) SPECIAL RULES FOR FOREIGN SOURCE PORTION OF DIVIDENDS RECEIVED FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS—

“(A) 1-YEAR HOLDING PERIOD REQUIREMENT.—For purposes of section 245A—

“(i) paragraph (1)(A) shall be applied—

“(I) by substituting ‘‘365 days’ for ‘‘45 days’’ each place it appears, and

“(II) by substituting ‘‘731-day period’’ for ‘‘91-day period’’.

“(ii) paragraph (2) shall not apply.

“(B) STATUS MUST BE MAINTAINED DURING HOLDING PERIOD.—For purposes of applying paragraph (1)(A) of section 245A, the taxpayer shall be treated as holding the stock referred to in paragraph (1) for any period only if—

“(1) the specified 10-percent owned foreign corporation referred to in section 245A(a) is a specified 10-percent owned foreign corporation at all times during such period, and

“(2) the United States shareholder with respect to such specified 10-percent owned foreign corporation at all times during such period.

“(c) APPLICATION OF RULES GENERALLY APPLICABLE TO DEDUCTIONS FOR DIVIDENDS RECEIVED.—

“(1) TREATMENT OF DIVIDENDS FROM CERTAIN CORPORATIONS.—Paragraph (1) of section 246(a) is amended by striking ‘‘and 245’’ and inserting ‘‘, 245, and 245A’’.

“(2) ASSETS GENERATING TAX-EXEMPT PORTION OF DIVIDEND NOT TAKEN INTO ACCOUNT IN ALLOCATING AND APPORTIONING DEDUCTIBLE EXPENSES.—Paragraph (3) of section 964(e) is amended by inserting ‘‘or 245A’’ after ‘‘or 245’’ and inserting ‘‘, 245A’’.

“(3) COORDINATION WITH SECTION 1099.—Subparagraph (B) of section 1099(b)(2) is amended by striking ‘‘or 245’’ and inserting ‘‘245, or 245A’’.

“(d) COORDINATION WITH FOREIGN TAX CREDIT LIMITATION.—Subsection (b) of section 904 is amended by—

(i) inserting before the period at the end the following new subclause:

‘‘(3) TREATMENT OF DIVIDENDS FOR WHICH DEDUCTION IS ALLOWED UNDER SECTION 245A.—For purposes of subpart F income under clause (i), and income were a dividend received by the United States shareholder from the selling controlled foreign corporation beginning after December 31, 2017, the basis of such domestic corporation in the case of a sale or exchange by the controlled foreign corporation of stock in another foreign corporation held for 1 year or more, then, notwithstanding any other provision of this title—

“(i) the foreign-source portion of such dividend shall be treated for purposes of section 951(a)(1)(A) as subpart F income of the selling controlled foreign corporation for such taxable year.

“(ii) a United States shareholder with respect to the selling controlled foreign corporation shall include in gross income for the taxable year of the shareholder with or within which such taxable year of the controlled foreign corporation ends an amount equal to the shareholder’s pro rata share (determined in the same manner as under section 951(a)(2)) of the amount treated as subpart F income under clause (i), and

“(iii) the deduction under section 245A(a) shall be allowable to the United States shareholder with respect to the subpart F income received by the shareholder from the selling controlled foreign corporation.

“(e) EFFECTIVE DATE.—The amendments made by this subsection shall be effective after December 31, 2017.

“(f) EVIDENCE OF FOREIGN TAX CREDIT.—The amendments made by this subsection shall apply to any dividends received in taxable years beginning after December 31, 2017.

“(g) EFFECT OF LOSS ON EARNINGS AND PROFITS.—For purposes of this title, in the case of a sale or exchange by a controlled foreign corporation of stock in another foreign corporation in a taxable year of the selling controlled foreign corporation beginning after December 31, 2017, to which this paragraph would apply if gain were recognized, the earnings and profits of the selling controlled foreign corporation shall not be reduced by reason of any loss from such sale or exchange.

“(h) FOREIGN-SOURCE PORTION.—For purposes of this paragraph, the foreign-source portion of any amount treated as a dividend
under paragraph (1) shall be determined in the same manner as under section 245(a)(1).

(d) TREATMENT OF FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—

(1) IN GENERAL.—Part II of subsection B of chapter 1 is amended by adding at the end the following new paragraph:

"SEC. 91. CERTAIN FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—

(a) IN GENERAL.—If a domestic corporation transfers substantially all of the assets of a foreign branch (within the meaning of section 367(a)(3)(C), as in effect before the date of the enactment of the Tax Cuts and Jobs Act) to a specified 10-percent owned foreign corporation defined in section 269(f), with respect to which it is a United States shareholder after such transfer, such domestic corporation shall include in gross income for the taxable year of the transfer an amount equal to the transferred loss amount with respect to such transfer.

(b) LIMITATION AND CARRYFORWARD BASED ON FOREIGN-SOURCE DIVIDENDS RECEIVED.—

"(1) IN GENERAL.—The amount included in the gross income of the taxpayer under subsection (a) with respect to a taxable year shall exceed the amount allowed as a deduction under section 245A for such taxable year under paragraph (1) to the succeeding taxable year, as determined in the adjusted basis of the transferred foreign corporations with respect to which the taxpayer is a United States shareholder after such transfer.

(2) AMOUNTS NOT INCLUDED CARRIED FORWARD.—Any amount not included in gross income for any taxable year by reason of paragraph (1) shall, subject to the application of paragraph (1) to the succeeding taxable year, be included as gross income for the succeeding taxable year.

(c) TRANSFERRED LOSS AMOUNT.—For purposes of this paragraph, the term "transferred loss amount" means, with respect to any transfer of substantially all of the assets of a foreign branch, the excess (if any) of

(A) which were incurred by the foreign branch after December 31, 2017, and before the transfer, and

(B) with respect to which a deduction was allowed to the taxpayer, over

(2) the sum of—

(A) any taxable income of such branch for a taxable year within the taxable year in which the loss was incurred and through the close of the taxable year of the transfer, and

(B) any amount which is recognized under section 382(b) as the fair market value of the transfer.

(d) REDUCTION FOR RECOGNIZED GAINS.—The transferred loss amount shall be reduced (but not below zero) by the amount of gain recognized by the taxpayer on account of the transfer (other than amounts taken into account under subsection (c)(2)(B)).

(e) BASIS ADJUSTMENTS.—Amounts included in gross income under this section shall be treated as derived from sources within the United States.

(f) BASIS ADJUSTMENTS.—Consistent with such regulations or other guidance as the Secretary shall prescribe, proper adjustments shall be made in the adjusted basis of any property transferred, to reflect amounts included in gross income under this section.

(2) CLERICAL AMENDMENT.—The table of sections provided in part II of subchapter B of chapter 1 is amended by adding at the end the following new item:

"Sec. 91. Certain foreign branch losses transferred to specified 10-percent owned foreign corporations."
"(A) IN GENERAL.—The term ‘aggregate foreign cash position’ means, with respect to any United States shareholder, the greater of—

(i) the aggregate of such United States shareholder’s pro rata share of the cash position of each specified foreign corporation of which such United States shareholder is a shareholder as of the close of the last taxable year of such specified foreign corporation which begins before January 1, 2018, or

(ii) one half of the sum of—

(I) the aggregate described in clause (i) determined as of the close of the last taxable year of each such specified foreign corporation which ends before November 9, 2017, plus

(II) the aggregate described in clause (i) determined as of the close of the taxable year of each such specified foreign corporation which precedes the taxable year referred to in subclause (I).

(B) CASH POSITION.—For purposes of this paragraph, the cash position of any specified foreign corporation is the sum of—

(i) cash and foreign currency held by such foreign corporation,

(ii) the net accounts receivable of such foreign corporation,

(iii) the fair market value of the following assets held by such corporation:

(I) Personal property which is of a type that is intended to be sold and for which there is an established market (other than stock in the specified foreign corporation).

(II) Commercial paper, certificates of deposit, or other obligations of the Government of any State or foreign government.

(III) Any obligation with a term of less than one year.

(IV) Any asset which the Secretary identifies as being economically equivalent to any of the assets described in subparagraphs (I), (II), (III), and (IV) of this subparagraph.

(C) NET ACCOUNTS RECEIVABLE.—For purposes of this paragraph, the term ‘net accounts receivable’ means, with respect to any specified foreign corporation, the excess (if any) of—

(i) such corporation’s accounts receivable, over

(ii) such corporation’s accounts payable (determined consistent with the rules of section 461).

(D) PREVENTION OF DOUBLE COUNTING.—Cash positions of a specified foreign corporation described in clause (i) or (ii) or (iii) of subparagraph (B) shall not be taken into account in determining a United States shareholder’s aggregate foreign cash position if—

(i) such entity is a foreign entity which would be a specified foreign corporation of such United States shareholder if such entity were a corporation, or

(ii) any interest in such entity is held by a specified foreign corporation of such United States shareholder (determined after application of clause (i)) and such entity would be a specified foreign corporation of such United States shareholder if such entity were a corporation.

(E) CASH POSITIONS OF CERTAIN NON-CORPORATE ENTITIES TAKEN INTO ACCOUNT.—An entity shall be treated as a specified foreign corporation of a United States shareholder for purposes of determining such United States shareholder’s aggregate foreign cash position if—

(i) such entity is a foreign entity which would be a specified foreign corporation of such United States shareholder if such entity were a corporation, or

(ii) any interest in such entity is held by a specified foreign corporation of such United States shareholder (determined after application of clause (i)) and such entity would be a specified foreign corporation of such United States shareholder if such entity were a corporation.

(F) ANTI-AVOIDANCE.—If the Secretary determines that a principal purpose of any transaction was to reduce the aggregate foreign cash position taken into account under subsection (a), such transaction shall be disregarded for purposes of this subsection.

(4) DEFERRED FOREIGN INCOME CORPORATION; ACCUMULATED POST-1986 DEFERRED FOREIGN INCOME.—For purposes of this section—

(I) DEFERRED FOREIGN INCOME CORPORATION.—The term ‘deferred foreign income corporation’ means, with respect to any United States shareholder, any specified foreign corporation which has accumulated post-1986 deferred foreign income (as of the close of the taxable year referred to in subsection (a)) greater than zero.

(II) ACCUMULATED POST-1986 DEFERRED FOREIGN INCOME.—The term ‘accumulated post-1986 deferred foreign income’ means the post-1986 earnings and profits plus the excess (if any) of—

(A) the sum of such excess plus the amount to which subsection (c)(1)(A) applies, divided by

(B) the sum described in subparagraph (A)(ii).

(3) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax described in section 901 by reason of paragraph (1) determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N.

(4) COORDINATION WITH SECTION 78.—Section 78 shall not apply to any tax for which subparagraph (B) applies to the sale of substantially all the assets of a taxpayer to a buyer if such buyer applies to the sale of substantially all the assets of a taxpayer to a buyer if such buyer applies to the sale of substantially all the assets of a taxpayer to a buyer (as determined by the Secretary for purposes of paragraph (2) of section 1297) with respect to the shareholder to which the preceding installment was made.

(5) ACCELERATION OF PAYMENT.—If there is an addition to tax for failure to timely pay any installment required under this subchapter, a liquidation or sale of substantially all the assets of the taxpayer (including in a title 11 or similar case), a cessation of business by the taxpayer, or any similar circumstance, then the unpaid portion of all remaining installments shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed). The preceding sentence shall not apply to the sale of substantially all the assets of a taxpayer to a buyer if such buyer enters into an agreement with the Secretary under which such buyer is liable for the remaining installments due under this subchapter in the same manner as if such buyer were the taxpayer.

(6) DETERMINATIONS OF PRO RATA SHARE.—For purposes of this section, the determinations of pro rata share of a United States shareholder’s pro rata share of any amount with respect to any specified foreign corporation shall be determined under rules similar to the rules applicable to elections for purposes of the preceding paragraph (1) to pay the net tax liability under this section in installments and a deficiency...
has been assessed with respect to such net tax liability, the deficiency shall be prorated to the installments payable under paragraph (1). The part of the deficiency so prorated to any installment shall be the tax for the share of such installment which has arrived at the time as of which such tax is payable under section 6901(b) and which has not arrived at the time as of which such tax is payable under section 6901(b) and which has not arrived at the time as of which such tax is payable under section 6901(b).

"(2) TRANSFER OF LIABILITY.—A transfer described in clause (ii) of subparagraph (A) shall not be treated as a triggering event if the transferee enters into an agreement with the shareholder under which the transferee is responsible for net tax liability with respect to such stock in the same manner as if such transferee were the taxpayer.

"(3) SHAREHOLDER'S NET TAX LIABILITY.—Any limitation on the time period for the assessment of tax described in subsection (h) shall be made not later than the due date for the return of tax for the taxable year in which the triggering event with respect to such liability occurs.

"(4) EXPATRIATION.—A S corporation which is a United States shareholder under section 6501(a)(1)(B) shall report the amount of a taxpayer which elects to defer payment under paragraph (1)—

"(A) subsection (h) shall be apportioned with respect to the liability to which such election applies.

"(B) an election under subsection (h) with respect to such liability shall be treated as timely made if made not later than the due date for the return of tax for the taxable year in which the triggering event with respect to such liability occurs.

"(C) the first taxable year thereafter until such amount has been fully assessed on such returns.

"(D) if the triggering event with respect to any net tax liability is described in paragraph (1)(A), an election under subsection (h) with respect to such liability may be made only with the consent of the Secretary.

"(5) ELECTION.—Any election under paragraph (1)(A) shall be made by the shareholder of such S corporation which is a United States shareholder as is properly allocable to such S corporation as is properly allocable to such S corporation.

"(6) NET TAX LIABILITY UNDER THIS SECTION.—For purposes of this subsection—

"(A) in the case of any S corporation which is a United States shareholder under section 6501(a)(1) by reason of subsection (h), an election under subsection (h) shall be made not later than the due date for the return of tax for such taxable year, the amount of net tax liability payment of which has been deferred under paragraph (1) and which has not been assessed on a return of tax for any prior taxable year.

"(B) if the real estate investment trust elects the application of this subparagraph, (A) any amount required to be reported under subparagraph (A) with respect to any taxable year before the due date for the return of tax for such taxable year, there shall be added to such return an addition to tax 5 percent of such amount. 

"(C) TRANSFER OF LIABILITY.—A transfer described in clause (ii) of subparagraph (A) shall not be treated as a triggering event if the transferee enters into an agreement with the shareholder under which the transferee is responsible for net tax liability with respect to such stock in the same manner as if such transferee were the taxpayer.

"(D) SHAREHOLDER'S NET TAX LIABILITY.—Any limitation on the time period for the assessment of tax described in subsection (h) shall be made not later than the due date for the return of tax for the taxable year in which the triggering event with respect to such liability occurs.

"(E) EXPATRIATION.—A S corporation which is a United States shareholder under section 6501(a)(1)(B) shall report the amount of a taxpayer which elects to defer payment under paragraph (1)—

"(A) subsection (h) shall be apportioned with respect to the liability to which such election applies.

"(B) an election under subsection (h) with respect to such liability shall be treated as timely made if made not later than the due date for the return of tax for the taxable year in which the triggering event with respect to such liability occurs.

"(C) the first taxable year thereafter until such amount has been fully assessed on such returns.

"(D) if the triggering event with respect to any net tax liability is described in paragraph (1)(A), an election under subsection (h) with respect to such liability may be made only with the consent of the Secretary.

"(7) ANNUAL REPORTING OF NET TAX LIABILITY.—

"(A) IN GENERAL.—Any shareholder of an S corporation which makes an election under paragraph (6) shall report the amount of net tax liability of such shareholder's deferred net tax liability on such shareholder's return of tax for the taxable year for which such election is made and for each taxable year thereafter until such amount has been fully assessed on such returns.

"(B) DEFERRED NET TAX LIABILITY.—For purposes of this paragraph, the 'deferred net tax liability' means, with respect to any taxable year, the amount of net tax liability payment of which has been deferred under paragraph (1) and which has not been assessed on a return of tax for any prior taxable year.

"(C) FAILURE TO REPORT.—In the case of any failure to report any amount required to be reported under subparagraph (A) with respect to any taxable year before the due date for the return of tax for such taxable year, there shall be added to such return an addition to tax 5 percent of such amount.

"(8) ELECTION.—Any election under paragraph (1)—

"(A) shall be made by the shareholder of the S corporation not later than the due date for such shareholder's return of tax for the taxable year which includes the close of the 10-year period beginning on the date of the expatriation of the Tax Cuts and Jobs Act, then—

"(A) any amount required to be taken into account under section 651(a)(1) by reason of any tax paid or credited with respect to any installment of a tax payable under section 651(a)(1) by reason of this section shall, for purposes of the computation of real estate investment trust taxable income under section 857(b), be included in gross income.

"(B) any credits shall be allowed against the tax imposed by this chapter.

"(9) TREATMENT OF TRANSFERS.—

"(A) In general.—Any transfer of any share of stock in a domestic corporation (determined as of the first day of the first taxable year that such corporation is a United States shareholder under section 6501(a)(1)(B)) shall be treated as if such transfer were a transfer of less than all of the taxpayer's shares of stock in the S corporation, and such transfer shall not be a triggering event if such transfer is not treated as a triggering event.

"(B) Special rules for domestic corporations.—

"(i) General rule.—In the case of any asset of a domestic corporation which is a United States shareholder under section 6501(a)(1)(B) and which is treated as an installment (as defined in subsection (h)(6)) shall not be treated as a triggering event if such installment is treated as a domestic corporation under section 878(b).

"(ii) Special rules for United States shareholders which are real estate investment trusts.—

"(A) In general.—If a real estate investment trust is a United States shareholder in any corporation which is a domestic corporation (determined as of the first day of the first taxable year of such corporation which is a United States shareholder under section 6501(a)(1)(B)) and which is treated as an installment (as defined in subsection (h)(6)) shall not be treated as a triggering event if such installment is treated as a domestic corporation under section 878(b).

"(B) RECAPTURE FOR EXPATRIATED ENTITIES.—

"(1) In general.—If a deduction is allowed under subsection (c) to a United States shareholder and such shareholder first becomes an expatriated entity at any time during the 10-year period beginning on the date of the enactment of the Tax Cuts and Jobs Act, then—

"(2) Expatriated entity.—For purposes of this subsection, the term 'expatriated entity' has the same meaning given such term under section 7874(a)(2), except that such term shall not include an entity if the surrogate corporation with respect to the entity is treated as a domestic corporation under section 7874(b).

"(c) TREATMENT OF TRANSFERS.—

"(1) In general.—If the corporation the stock of which is transferred to a shareholder (other than an affiliate of such shareholder) 10 or more years before the date of such transfer would have been treated as a triggering event if such transfer were treated as a triggering event.

"(d) Reporting by S Corporation.—Each S corporation which is a United States shareholder under section 6501(a)(1)(B) shall report in its return of tax under section 651(a)(1) the amount includable in gross income for such taxable year by reason of this section and the amount allocable by subsection (b). Any copy provided to a shareholder under section 651(a)(1) shall include a statement of such shareholder's pro rata share of such amounts.

"(e) Extension of limitation on assessment.—Notwithstanding section 6501, the limitation on the time period for the assessment of tax described in section (a) shall be extended to a period which begins 6 years after the due date for the return of tax described in such subsection was filed.

"(f) Recapture for Expatriated Entities.—

"(1) In general.—If a deduction is allowed by reason of the application of subsection (c) to a United States shareholder and such shareholder first becomes an expatriated entity at any time during the 10-year period beginning on the date of the enactment of the Tax Cuts and Jobs Act, then—

"(2) Expatriated entity.—For purposes of this subsection, the term 'expatriated entity' has the same meaning given such term under section 7874(a)(2), except that such term shall not include an entity if the surrogate corporation with respect to the entity is treated as a domestic corporation under section 7874(b).

...
"(A) Election.—Any election under paragraph (1)(B) shall be made not later than the due date for the first taxable year in the 5-taxable-year period described in clause (i) of paragraph (1) shall be made in such manner as the Secretary shall provide.

"(B) Special rules.—If an election under paragraph (1)(B) is in effect with respect to any intercompany estate, trust, or insurance contract, the following rules shall apply:

"(i) Application of participation exemption.—For purposes of subsection (c)(1)—

"(A) the aggregate amount to which subparagraph (A) or (B) of subsection (c)(1) applies shall be determined without regard to the election.

"(ii) No installment payments.—The real estate investment trust may not make an election under subsection (g) for any taxable year described in paragraph (1)(B).

"(ii) Acceleration of inclusion.—If there is a liquidation or sale of substantially all the assets of the real estate investment trust (including in a title 11 or similar case), a cessation of business by such trust, or any similar circumstance, any amount not yet included in gross income under paragraph (1)(B) shall be included in gross income as of the day before the date of the event and the unpaid portion of any tax liability with respect to such inclusion shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed).

"(iii) No election not to apply net operating loss deduction.—(1) In general.—If a United States shareholder holds a United States stock or a United States bond in a foreign corporation, the aggregate amount to which subparagraph (A) or (B) of subsection (c)(1) of section 956(a)(1) applies shall be made not later than the due date for the first taxable year in which such property is transferred, or held, temporarily, or

"(B) the aggregate of such shareholder's pro rata share of the tested loss attributable to any controlled foreign corporation for any taxable year of such United States shareholder, the excess (if any) of—

"(A) such shareholder's net CFC tested income for such taxable year, over

"(B) such shareholder's net deemed tangible income return for such taxable year.

"(2) Net deemed tangible income return.—The term 'net deemed tangible income return' means, with respect to any United States shareholder for any taxable year of such United States shareholder, the excess, if any, of—

"(i) such shareholder's net CFC tested income for such taxable year, over

"(ii) the aggregate of such shareholder's pro rata share of the tested loss attributable to any controlled foreign corporation for any taxable year of such United States shareholder, the excess (if any) of—

"(A) such shareholder's net CFC tested income for such taxable year, over

"(B) such shareholder's net deemed tangible income return for such taxable year.

"(3) Determination of adjusted basis.—For purposes of this section—

"(1) General.—The term 'qualified business asset investment' means, with respect to any controlled foreign corporation, the average of the aggregate of the corporation's adjusted bases as of the close of each quarter of a taxable year of the corporation, of the gross low-taxed income for such taxable year provided under the defined term of qualified low-taxed income.

"(2) Specified property.—(A) In general.—The term 'specified property' means any of the property described in subsection (b)(1) of section 1087(b)(4).
"(1) IN GENERAL.—The pro rata shares referred to in subsections (b), (c)(1)(A), and (c)(1)(B), respectively, shall be determined under the rules of section 951(a)(2) in the same manner as paragraph (1) of subpart F income and shall be taken into account in the taxable year of the United States shareholder in which or with which the termination of the controlled foreign corporation ends.

"(2) TREATMENT AS UNITED STATES SHAREHOLDER.—For purposes of paragraph (1), a person shall be treated as a United States shareholder of a controlled foreign corporation for any taxable year only if such person owns (within the meaning of section 958(a)) stock in such foreign corporation on the last day of such taxable year or any other day during such taxable year which bears the same ratio to such global intangible low-taxed income which is treated as owned (within the meaning of section 958(a)) by such United States shareholder under paragraph (1).

"(3) TREATMENT AS CONTROLLED FOREIGN CORPORATION.—A foreign corporation shall be treated as a controlled foreign corporation for any taxable year if such foreign corporation is a controlled foreign corporation at any time during such taxable year.

"(4) TREATMENT AS SUBPART F INCOME FOR CERTAIN PURPOSES.—

"(1) IN GENERAL.—

(A) Except as provided in subparagraph (B), any global intangible low-taxed income included in gross income under section 951(a)(1)(A) for purposes of applying sections 168(h)(2)(B), 533(b)(10), 951(b)(1), 959, 961, 962(c), 962(d), 963(a)(1)(B), 986(f)(1), 1249(b)(1), 1249(b)(2), 6501(e)(1)(C), 6564(d)(2)(D), and 6565(e)(4)

(B) EXCEPTION.—The Secretary shall provide rules for the application of subparagraph (B) to other provisions of this title in any case in which the determination of subpart F income is required to be made at the level of the controlled foreign corporation.

(2) ALLOCATION OF GLOBAL INTANGIBLE LOW-TAXED INCOME TO CONTROLLED FOREIGN CORPORATIONS.—For purposes of the sections referred to in paragraph (1), with respect to any controlled foreign corporation any pro rata amount from which is taken into account in determining the global intangible low-taxed income included in gross income of a United States shareholder under section 951(a)(1)(A) for purposes of applying sections 168(h)(2)(B), 533(b)(10), 951(b)(1), 959, 961, 962(c), 962(d), 963(a)(1)(B), 986(f)(1), 1249(b)(1), 1249(b)(2), 6501(e)(1)(C), 6564(d)(2)(D), and 6565(e)(4)

"(A) IN GENERAL.—If, for any taxable year, there shall be included in the gross income of a United States shareholder the global intangible low-taxed income amount (if any) which is treated as owned by such United States shareholder under section 951(a)(1)(A) for purposes of paragraph (1), there shall be included in the gross income of such United States shareholder the pro rata share of the global intangible low-taxed income amount (if any) which is treated as owned by such United States shareholder under section 951(a)(1)(A) for purposes of paragraph (1) and

(B) REDUCTION.—For purposes of subparagraph (A)—

(i) foreign-derived intangible income shall be reduced by an amount which bears the same ratio to the excess described in subparagraph (A) as foreign-derived intangible income bears to the sum described in subparagraph (A)(i), and

(ii) the global intangible low-taxed income amount shall be reduced by the remainder of such excess.

"(5) NET INCOME.—For purposes of this subsection—

(A) IN GENERAL.—

(i) the sum of the foreign-derived intangible income and the global intangible low-taxed income amount otherwise taken into account by the domestic corporation under paragraph (1), plus

(ii) the taxable income of the domestic corporation (determined without regard to this section), minus

(iii) the amount of the foreign-derived intangible income and the global intangible low-taxed income amount so taken into account shall be reduced as provided in subparagraph (B).

(B) REDUCTION.—For purposes of subparagraph (A)—

(i) foreign-derived intangible income shall be reduced by an amount which bears the same ratio to the excess described in subparagraph (A) as foreign-derived intangible income bears to the sum described in subparagraph (A)(i), and

(ii) the global intangible low-taxed income amount shall be reduced by the remainder of such excess.

"(6) REDUCTION IN DEDUCTION FOR TAXABLE YEARS AFTER 2025.—In the case of any taxable year beginning after December 31, 2025, paragraph (1) shall be applied by substituting—

(1) 37.5 percent for ‘21.875 percent’

(2) 37.5 percent for ‘50 percent’

"(2) APPLICATION OF FOREIGN TAX CREDIT LIMITATION.

(A) SEPARATE BASKET FOR GLOBAL INTANGIBLE LOW-TAXED INCOME.—Section 904(k)(1) is amended by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively, and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

(1) any amount includible in gross income for purposes of section 951A (other than passive category income).

(B) EXCLUSION FROM GENERAL CATEGORY INCOME.—Section 904(d)(2)(A)(i) is amended by inserting ‘income described in paragraph (1)(A)’ and before ‘passive category income’.

(C) NO CARRYOVER OR CARRYBACK OF EXCESS TAXES.—Section 904(k)(3)(B) is amended by inserting ‘income described in paragraph (1)(A)’ and before ‘passive category income’.

"(3) TREATMENT AS UNITED STATES SHAREHOLDER.''

"(1) TREATMENT OF DEEMED INTANGIBLE INCOME TO CONTROLLED FOREIGN CORPORATIONS.—For purposes of the sections referred to in subsection (a), the term ‘deemed intangible income’ means, with respect to any domestic corporation which is a United States shareholder under paragraph (1), the term ‘deemed intangible income’ means, with respect to any domestic corporation, the excess (if any) of—

(i) the deduction eligible income of the domestic corporation, over

(ii) the deemed tangible income return of the corporation.

(B) DEEMED TANGIBLE INCOME RETURN.—The term ‘deemed tangible income return’ means, with respect to any corporation, an amount equal to 10 percent of the corporation’s qualified business asset investment (as defined in section 965(c)(3)), plus the amount of any deduction which bears the same ratio to the deemed intangible income of such corporation as—

(A) the deduction eligible income of such corporation, bears to

(B) the deduction eligible income of such corporation.

"(2) DEEMED INTANGIBLE INCOME.—For purposes of subsection (a), the deduction eligible income of such corporation, bears to

(A) the deduction eligible income of the domestic corporation, over

(ii) the deemed tangible income return of the corporation.

(B) DEEMED TANGIBLE INCOME RETURN.—The term ‘deemed tangible income return’ means, with respect to any corporation, an amount equal to 10 percent of the corporation’s qualified business asset investment (as defined in section 965(c)(3)), plus the amount of any deduction which bears the same ratio to the deemed intangible income of such corporation as—

(A) the deduction eligible income of such corporation, bears to

(B) the deduction eligible income of such corporation.

"(3) DEDUCTION ELIGIBLE INCOME.—

(A) IN GENERAL.—The term ‘deduction eligible income’ means, with respect to any domestic corporation, the excess (if any) of—

(i) gross income of such corporation determined without regard to—

(ii) the subpart F income of such corporation determined under section 951,

(iii) the global intangible low-taxed income determined under section 951,

(IV) any financial services income (as defined in section 904(d)(2)(D)) of such corporation which is not described in clause (ii), and

(V) any domestic oil and gas extraction income determined under section 954(c)(9)(A), and

(VI) any foreign branch income (as defined in section 904(d)(2)(C)), over

(ii) the deductions (including taxes) properly allocable to such gross income under rules similar to the rules of section 954(c)(5),

(B) DOMESTIC OIL AND GAS EXTRACTION INCOME.—For purposes of subparagraph (A), the term ‘domestic oil and gas extraction income’ means income described in section 907(c)(1), determined by substituting ‘within
the United States for ‘without the United States’. ‘(4) FOREIGN-DERIVED DEDUCTION ELIGIBLE INCOME.—The term ‘foreign-derived deduction eligible income’ means— (A) any income— (i) which is derived from the provision of services, to another person (other than a related party), or used by a related party in connection with property which is sold or used for a foreign use unless— (I) such property is ultimately sold by a related party to another person who is not a United States person, and (II) such property is not within the United States. (B) property or services provided to a domestic intermediary — (i) PROPERTY.—If a taxpayer sells property to another person (other than a related party) for further manufacture or other modification within the United States, such property shall not be treated as sold for a foreign use even if such other person subsequently uses such property for a foreign use. (ii) services provided by a taxpayer which the taxpayer establishes to the satisfaction of the Secretary to be for a foreign use— (I) which is sold by the taxpayer to any person for any taxable year, any deduction for which is allowed to the taxpayer for any taxable year as a deduction for intangible property income. (B) services provided by the taxpayer which the taxpayer establishes to the satisfaction of the Secretary to be for a foreign use— (i) which is sold by the taxpayer to any person for any taxable year, any deduction for which is allowed to the taxpayer for any taxable year as a deduction for intangible property income. (C) SPECIAL RULES WITH RESPECT TO RELATED PARTY TRANSACTIONS.— (i) SALES TO RELATED PARTIES.—If property is sold to a related party who is not a United States person, such sale shall not be treated as for a foreign use unless— (I) such property is ultimately sold by a related party, or used by a related party in connection with property which is sold or the provision of services, to another person who is an unrelated party who is not a United States person, and (II) that person establishes to the satisfaction of the Secretary that such property is for a foreign use. For purposes of this clause, a sale of property shall be treated as a sale of each of the components thereof. (ii) SERVICE PROVIDED TO RELATED PARTIES.—If services provided by a related party who is not located in the United States, such service shall not be treated described in subparagraph (A)(ii) unless the taxpayer establishes to the satisfaction of the Secretary that such service is not substantially similar to services provided by a related party to persons located within the United States. (D) RELATED PARTY.—For purposes of this paragraph, the term ‘related party’ means any member of an affiliated group as defined in section 1504(a), determined— (i) by substituting ‘more than 50 percent’ for ‘at least 80 percent’ each place it appears, and (ii) without regard to paragraphs (2) and (3) of section 1504(b). Any person (other than a corporation) shall be treated as a member of such group if such person has an interest of more than 50 percent in the assets of such group (including any entity treated as a member of such group by reason of this sentence) or controls any such member. For purposes of paragraphs (1)(A) and (2), control shall be determined under the rules of section 954(d)(3). ‘(E) SOLD.—For purposes of this subsection, the terms ‘sold’, ‘sells’, and ‘sale’ shall include any lease, license, exchange, or other disposition. ‘(F) EXCEPTIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.’. (b) CONFORMING AMENDMENTS.— (1) Section 172(d), as amended by section 1901, is amended by adding at the end the following new item: ‘(10) DEDUCTION FOR FOREIGN-DERIVED INTANGIBLE INCOME.—The deduction under section 250 shall not be allowed.’. (2) Section 199(a)(1)(A) is amended— (A) by striking ‘and subsection (a) and (b) of section 254’ the first place it appears and inserting ‘subsection (a) and (b) of section 254’, and (B) by striking ‘and subsection (a) and (b) of section 254’ the second place it appears and inserting ‘subsection (a) and (b) of section 254’, and 250’. (3) Section 469(1)(C)(F)(11) is amended by striking ‘and 222’ and inserting ‘222, and 225’. (4) The table of sections for part VIII of chapter B of chapter I is amended by adding at the end the following new item: ‘Sec. 250. Foreign-derived intangible income and global intangible low-taxed income.'.

CHAPTER 2—OTHER MODIFICATIONS OF SUBPART F PROVISIONS

SEC. 14211. ELIMINATION OF INCLUSION OF FOREIGN BASE COMPANY OIL RELATED INCOME.

(a) REPEAL.—Subsection (a) of section 954 is amended— (1) by inserting ‘and’ at the end of paragraph (2), (2) by striking the comma at the end of paragraph (3) and inserting a period, and (3) by striking paragraph (5).

(b) CONFORMING AMENDMENTS.— (1) Section 952(c)(1)(B)(ii) is amended by striking the commas in clauses (i), (ii), and (iii) and inserting ‘, subsection (a) and (b) of section 254’, and (IV), respectively.

(2) Section 954(b) is amended— (A) by striking the second sentence of paragraph (4), (B) by striking the ‘foreign base company services income’, and the foreign base company oil related income’ in paragraph (5) and inserting ‘and the foreign base company services income’, and (C) by striking paragraph (6).

(3) Section 954 is amended by striking subsection (g).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017.

SEC. 14212. ELIMINATION OF INCLUSION OF FOREIGN BASE COMPANY INCOME.

(a) IN GENERAL.—Section 956(b)(3) is amended by adding at the end of this section a new subparagraph— ‘(D) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2017, the dollar amount in subparagraph (A)(ii) shall be increased by an amount equal to— (i) such dollar amount, multiplied by (ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins. Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $50,000.’.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14213. REPEAL OF INCLUSION BASED ON SHARE OF FOREIGN CORPORATION INCOME.

(a) IN GENERAL.—Subpart F of part III of chapter B of chapter I is amended by striking section 951(a)(1)(A) is amended to include— (1) the foreign base company income under subpart F, and (2) the adjusted basis of any property described in section 197(e)(3)(B)."
(B) Section 951(b) is amended by striking “section 951(a)(1)(A)” in the flush language at the end and inserting “section 951(a)(1)(A)”.

(C) Section 952(c)(1)(B)(i) is amended by striking “section 951(a)(1)(A)(i)” and inserting “section 951(a)(1)(A)(ii)”.

(D) Section 953(c)(1)(C) is amended by striking “subsection (I)” and inserting “subsection (ii)”.

(2) Section 961(a) is amended by striking paragraph (3).

(3) Section 973(d)(4)(B)(iv)(II) is amended by striking “or amounts referred to in clause (ii) or (iii) of section 951(a)(1)(A)”.

(4) Section 966(b) is amended by striking “955.”.

(5) Section 970 is amended by striking subsection (b).

(6) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 955.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14214. MODIFICATION OF STOCK ATTRIBUTION RULES FOR PURPOSES OF STATUS AS A CONTROLLED FOREIGN CORPORATION.

(a) IN GENERAL.—Section 956(b) is amended by striking paragraph (4), and

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) the last taxable year of foreign corporations beginning before January 1, 2018, and each subsequent taxable year of such foreign corporations, and

(2) taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14215. MODIFICATION OF DEFINITION OF UNITED STATES SHAREHOLDER.

(a) IN GENERAL.—Section 956(b) is amended by inserting “, or 10 percent or more of the total value of shares of all classes of stock of such foreign corporation” after “such foreign corporation”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14216. ELIMINATION OF REQUIREMENT THAT CORPORATION MUST BE CONTROLLED FOR 30 DAYS BEFORE SUBSTITUTIONS APPLY.

(a) IN GENERAL.—Section 951(a)(1) is amended by striking “for an uninterrupted period of 30 days or more” and inserting “at any time”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 14217. LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS MADE PERMANENT.

(a) IN GENERAL.—Section 956(c) is amended by striking subparagraph (C),

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 14218. CORPORATIONS ELIGIBLE FOR DEDUCTION ON PAYMENTS DIVIDENDS FROM CONTROLLED FOREIGN CORPORATIONS EXEMPT FROM SUBPART F INCLUSION FOR INVESTMENT IN UNITED STATES PROPERTY.

(a) IN GENERAL.—Section 963(a) is amended by inserting “foreign corporations” after “United States shareholder” in the matter preceding paragraph (1).

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of controlled foreign corporations ending after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of controlled foreign corporations end.

CHAPTER 3—PREVENTION OF BASE EROSION

SEC. 14221. DENIAL OF DEDUCTION FOR INTEREST EXPENSE OF UNITED STATES SHAREHOLDERS WHICH ARE MEMBERS OF WORLDWIDE AFFILIATED GROUPS WITH EXCESS DOMESTIC INDEBTEDNESS.

(a) IN GENERAL.—Section 163 is amended by redesignating subsection (n) as subsection (o) and by inserting after subsection (m) the following new subsection:

(1) Disallowance of deduction for interest expense of United States shareholders which are members of worldwide affiliated groups with excess domestic indebtedness.—

(‘‘(1) IN GENERAL.—In the case of any domestic corporation which is a member of a worldwide affiliated group, the deduction allowed under this chapter for interest paid or accrued by such domestic corporation during the taxable year shall be reduced by the product of—

(A) the net interest expense of such domestic corporation, multiplied by

(B) the debt-to-equity differential percentage of such worldwide affiliated group.

(2) Carryforward.—Any amount disallowed under paragraph (1) for any taxable year shall be treated as interest paid or accrued in the succeeding taxable year.

(3) Debt-to-equity differential percentage.—

(A) IN GENERAL.—For purposes of this subsection, the term ‘debt-to-equity differential percentage’ means, with respect to any worldwide affiliated group, the percentage which the excess domestic indebtedness of such group bears to the total indebtedness of the domestic corporations which are members of such group.

(B) Excess domestic indebtedness.—For purposes of subparagraph (A), the term ‘excess domestic indebtedness’ means, with respect to any worldwide affiliated group, the excess (if any) of

(i) the total indebtedness of the domestic corporations which are members of such group,

(ii) the total equity of such group, bears to

(i) the total equity of such group,

(ii) the total equity of all other members of such group.

(C) providing for the coordination of this paragraph

(l) In general.—For purposes of this paragraph

(I) the amount taken into account with respect to any asset shall be the adjusted basis thereof for purposes of determining gain.

(II) the amount taken into account with respect to any indebtedness with original issue discount shall be its issue price plus the portion of the original issue discount previously accrued as determined under the rules of section 1272 (determined without regard to subsection (a)(7) or (b)(4) thereof), and

(III) there shall be such other adjustments as the Secretary shall by regulations prescribe.

(ii) Intragroup debt and equity interests disregarded.—For purposes of this paragraph, the total indebtedness, and the assets, of any group of corporations shall be determined by treating all members of such group as one corporation.

(iii) Determination of assets of domestic group.—For purposes of this paragraph, the assets of the domestic corporations which are members of any worldwide affiliated group shall be determined by disregarding any interest in any domestic corporation in any foreign corporation which is a member of such group.

(E) Phase in of percentage used in determining excess indebtedness.—In the case of any taxable year beginning in a calendar year before 2022, the following percentages shall be substituted for ‘‘100 percent’’ in applying subparagraph (B)(ii):

The percentage is:

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2018</td>
<td>100</td>
</tr>
<tr>
<td>2019</td>
<td>90</td>
</tr>
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<td>80</td>
</tr>
<tr>
<td>2021</td>
<td>70</td>
</tr>
<tr>
<td>2022</td>
<td>60</td>
</tr>
</tbody>
</table>

(4) OTHER DEFINITIONS.—For purposes of this subsection—

(A) Worldwide affiliated group.—The term ‘worldwide affiliated group’ means a group consisting of the includible members of an affiliated group, as defined in section 1504(a), determined—

(i) by substituting ‘‘more than 50 percent’’ for ‘‘at least 80 percent’’ each place it appears in such section, and

(ii) without regard to paragraphs (2), (3), and (4) of section 1504(b).

(B) Excess interest expense.—The term ‘net interest expense’ means the excess (if any) of

(i) the interest paid or accrued by the taxpayer during the taxable year,

(ii) the amount of interest includable in the gross income of such taxpayer for such taxable year.

(C) Secretary shall by regulations provide for adjustments in determining the amount of net interest expense if necessary.

(TREATMENT OF AFFILIATED GROUP.—For purposes of this subsection, all members of the same affiliated group (within the meaning of section 1504(a) applied by substituting ‘‘more than 50 percent’’ for ‘‘at least 80 percent’’ each place it appears) shall be treated as one taxpayer.

(6) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be appropriate to carry out the purposes of this section, including regulations or other guidance—

(A) to prevent the avoidance of the purposes of this subsection.

(B) providing such adjustments in the case of corporations which are members of an affiliated group as may be appropriate to carry out the purposes of this subsection.

(C) providing for the coordination of this subsection with section 884.
“(D) providing for the reallocation of Federal tax base, or Federal tax income or interest expense, and

“(E) providing for the coordination with or otherwise) of its employment); or

“(ii) the valuation of transfers of intangible property transferred with other property or services, on an aggregate basis, or

“(ii) the valuation of such a transfer on the basis of the realistic alternatives to such a transfer, if the Secretary determines that such basis is the most reliable means of valuation of such transfer.”

“(2) Allocation among taxpayers.—Section 482 is amended by adding at the end the following new subparagraph:

“(D) Regulatory authority.—For purposes of this section, the term ‘hybrid transaction’ means any transaction, series of transactions, or agreements, or instruments one or more payments with respect to which are treated as interest or royalties for purposes of this chapter and which are not so treated for purposes of the tax law of a foreign country of which the recipient of such payment is resident for tax purposes or is subject to tax.

“(D) Hybrid Transaction.—For purposes of this section, the term ‘hybrid entity’ means any entity which is either—

“(1) treated as an employer for purposes of the last sentence of subparagraph (i) of section 502(b)(1) of title 26 of the United States Code; or

“(2) treated as a nonresident alien individual for purposes of section 1471 and the regulations thereunder.

“(e) Regulations.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance providing for—

“(1) rules for treating certain conduit arrangements which involve a hybrid transaction or a hybrid entity as subject to subsection (a),

“(2) rules for the application of this section to foreign branches,

“(3) rules for treating certain structured transactions, and

“(4) rules for treating a tax preference as an exclusion from income for purposes of applying subsection (b) if such tax preference has the effect of reducing the generally applicable statutory rate by 25 percent or more.

“(5) rules for treating the entire amount of interest which may be attributed to a related party as a disqualified related party amount if such amount is subject to a participant exemption system or other system which permits a deduction of a substantial portion of such amount,

“(6) rules for determining the tax residence of a foreign entity if the entity is otherwise considered a resident of more than one country or of no country.

“(7) exceptions from subsection (a) with respect to—

“(A) cases in which the disqualified related party amount is taxed under the laws of a foreign country other than the country of which the related party is a resident for tax purposes, and

“(B) other cases which the Secretary determines do not present a risk of eroding the Federal tax base.

“(8) requirements for record keeping and information reporting in addition to any requirements imposed by section 6038A.”

“(b) Conforming amendment.—The table of sections for part IX of subchapter B of chapter 1 is amended by inserting after the item relating to section 267 the following new item:

“Sec. 267A. Certain related party amounts paid or accrued in hybrid transactions or with hybrid entities.”

“(c) Effective date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

“SEC. 14224. SHARING OF EARNINGS OF FOREIGN CORPORATIONS NOT ELIGIBLE FOR REDUCED RATE ON DIVIDENDS.

“(a) In general.—Section 1(h)(11)(C)(iii) is amended—

“(1) by striking ‘‘shall not include any foreign corporation’’ and inserting ‘‘shall not include’’;

“(2) by striking the period at the end and inserting ‘‘, and’’;

“(3) by adding at the end the following new subsection:

“(II) any corporation which is a surrogate foreign corporation (as defined in section 881(a)(2)(B)) other than a foreign corporation which is a domestic corporation under section 7874(a)(1)).

“(b) Effective date.—The amendments made by this section shall apply to dividends paid in taxable years beginning after December 31, 2017.

“Subpart C—Modifications Related to Foreign Tax Credit System

“SEC. 14301. REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS; DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.

“(a) Repeal of section 902 indirect foreign tax credits.—Subpart A of part III of subchapter N of chapter 1 is amended by striking section 902.

“(b) Determination of section 960 credit on current year basis.—Section 960, as amended by subsection 14201, is amended—

“(1) by striking subsection (c), by redesignating subsection (b) as subsection (c), by striking all that precedes subsection (c) (as so redesignated) and inserting the following:

“Sec. 960. Deemed paid credit for subpart F inclusions.

“(a) In general.—For purposes of this subpart, if there is included in the gross income of a domestic corporation any item of income, gain, loss, or deduction with respect to any controlled foreign corporation with respect to which such domestic corporation is a United States shareholder, such domestic corporation shall be deemed to have paid so much of such foreign corporation’s foreign income taxes as are properly attributable to such item of income.

“(b) Special rules for distributions from previously taxed earnings and profits.—For purposes of this subpart—

“(1) In general.—If any portion of a distribution from a controlled foreign corporation to a domestic corporation which is a United States shareholder with respect to such controlled foreign corporation is excludable from gross income under section 950(a), such domestic corporation shall be deemed to have paid so much of such foreign corporation’s foreign income taxes as—

“(A) are properly attributable to such portion, and

“(B) have not been deemed to have been paid by such domestic corporation for this section for the taxable year or any prior taxable year.

“(2) Tiered controlled foreign corporations.—If section 950(b) applies to any portion of a distribution from a controlled foreign corporation to another controlled foreign corporation, such controlled foreign
corporation shall be deemed to have paid so much of such other controlled foreign corporation's foreign income taxes as—

(A) are properly attributable to such portion,

(B) have not been deemed to have been paid by a domestic corporation under this section for any prior taxable year.

(2) and by inserting after subsection (d) (as added by section 14201) the following new subsections:

(e) FOREIGN INCOME TAXES.—The term 'foreign income taxes' means any income, war profits, or excess profits taxes paid or accrued to any foreign country or possession of the United States.

(f) REGULATIONS.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.

(c) CONFORMING AMENDMENTS.—

(1) Section 78 is amended to read as follows:

"SEC. 78. GROSS UP FOR DEPEEDED PAID FOREIGN TAX CREDIT."

"If a domestic corporation chooses to have the benefits of subsection A of part III of subsection B of section 960 (relating to foreign tax credit) for any taxable year:

"(1) an amount equal to the taxes deemed to be paid by such corporation under subsection (a) of section 960 for such taxable year shall be treated for purposes of this title (other than section 960) as an item of income required to be included in the gross income of such domestic corporation under section 961(a), and

"(2) an amount equal to the aggregate test-
ed foreign income taxes deemed paid by such corporation under section 960(d) (determined without regard to the phrase '80 percent of' in paragraph (1) thereof) shall be treated for purposes of this title (other than section 960) as an additional item of the global intangible low-
taxed income of such domestic corporation under section 951(a) for such taxable year.

"(2) Paragraph (4) of section 245(a) is amended to read as follows:

"(4) POST-1986 UNDISTRIBUTED EARNINGS.—The term 'post-1986 undistributed earnings' means the aggregate amount of the earnings and profits of the foreign corporation (computed in accordance with sections 964(a) and 986(c) and accumulated in taxable years beginning after December 31, 1986) that are not distributed during such taxable year.

"(A) as of the close of the taxable year of the foreign corporation in which the dividend is distributed, and

"(B) by determining the portion by reason of dividends distributed during such taxable year.

(3) Section 245(a)(10)(C) is amended by striking "902, 907, and 960" and inserting "907 and 960".

(4) Sections 535(b)(1) and 545(b)(1) are each amended by striking "section 902(a) or 908(a)(1)" and inserting "section 902(a)(1) and subsection (B) of section 907(b)".

(5) Section 814(b)(1) is amended—

(A) by striking subparagraph (B), and

(B) by striking all that precedes "No income" and inserting the following:

"(1) TREATMENT OF FOREIGN TAXES."

(6) Section 865(b)(1)(B) is amended by striking "902, 907, and 908" and inserting "907, 908, and 960".

(7) Section 901(a) is amended by striking "sections 902 and 960" and inserting "section 960".

(8) Section 901(e)(2) is amended by striking "but is not limited to—" and all that follows through that portion and inserting "but is not limited to that portion".

(9) Section 901(f) is amended by striking "sections 902 and 960" and inserting "section 960".

(10) Section 901(l)(1)(A) is amended by striking "902 or".

(11) Section 901(l)(1)(B) is amended by striking "sections 902 and 960" and inserting "section 960".

(12) Section 901(k)(2) is amended by striking "902 or".

(13) Section 901(k)(6) is amended by striking "902 or".

(14) Section 901(m)(1) is amended by striking "foreign assets" and all that follows and inserting "relevant foreign assets shall not be taken into account in determining the credit allowed under subsection (a)".

(15) Section 904(d)(6)(A) is amended by striking "902, 907," and inserting "907".

(16) Section 904(h)(10)(A) is amended by striking "907" and inserting "section 907 and 960".

(17) Section 904(c)(3) is amended to read as follows:

"(K) Cross References.—For increase of limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 961(c)."

(18) Section 904(c)(1) is amended by striking the last sentence.

(19) Section 905(c)(2)(B)(1) is amended to read as follows:

"(1) shall be taken into account for the taxable year to which such taxes relate, and"

(20) Section 906(a) is amended by striking "or deemed, under section 902, paid or accrued during the taxable year"

(21) Section 906(b) is amended by striking paragraphs (4) and (5).

(22) Section 907(b)(2)(B) is amended by striking "902 or".

(23) Section 907(c)(3) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively, and

(B) by striking "section 906(a)" in subparagraph (A) (as so redesignated) and inserting "section 960".

(24) Section 907(c)(5) is amended by striking "902 or".

(25) Section 907(l)(2)(B)(1) is amended by striking "902 or".

(26) Section 908(a) is amended by striking "902 or".

(27) Section 909(b) is amended—

(A) by striking paragraph (2) and inserting the following:

"(2) an amount equal to the aggregate business income by "902, 907, and 960" and inserting "section 902".

(3) all that follows through the paragraph end.

(4) paragraph (2) shall be allocated and apportioned between sources within and without the United States on the basis of the production activities with respect to the property specified in section 904(b)(10)(A), foreign branch income, and smuggling.

(5) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14302. SEPARATE FOREIGN TAX CREDIT LIMITATION BASKET FOR FOREIGN BRANCH INCOME.

(a) IN GENERAL.—Section 960. Deemed paid credit for foreign branch income.

(i) GENERAL.—The term 'foreign branch income' means the business profits of such United States person which are attributable to 1 or more qualified business units (as defined in section 960(a) in 1 or more foreign countries. For purposes of the preceding sentence, the amount of business profits attributable to a qualified business unit shall be determined under rules established by the Secretary.

(ii) Term shall not include any income which is passive category income.

(b) FOREIGN BRANCH INCOME.—

(1) IN GENERAL.—Section 960(d)(2)(A)(II) is amended by inserting after subparagraph (I) the following new subparagraph:

"(J) FOREIGN BRANCH INCOME.

(i) GENERAL.—As defined in section 960(a) in part III of subchapter N of chapter 1 is...

(2) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14303. ACCELERATION OF ELECTION TO ALLOW INTEREST, ETC., ON A WORLDWIDE BASIS.

(a) IN GENERAL.—Section 866(c)(6) is amended by striking "December 31, 2020" and inserting "December 31, 2017".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 14304. SOURCE OF INCOME FROM SALES OF INVENTORY DETERMINED SOLELY ON BASIS OF PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Section 865(b)(7) is amended by adding at the end the following:

"(7) by striking the sale of or exchange of inventory property described in paragraph (2) shall be allocated and apportioned between sources within and without the United States solely on the basis of the production activities with respect to the property.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.
SEC. 14305. ELECTION TO INCREASE PERCENTAGE OF DOMESTIC TAXABLE INCOME OFFSET BY OVERALL DOMESTIC LOSSES TREATED AS FOREIGN SOURCE.

(a) In General.—Section 904(g) is amended by adding at the end the following new paragraph:

"(5) Election to increase percentage of taxable income treated as foreign source.—

"(A) In general.—If any pre-2018 unused overall domestic loss is taken into account under paragraph (1) for any applicable taxable year, the taxpayer may elect to have such paragraph applied to such loss by substituting a percentage greater than 50 percent (but not greater than 90 percent) for 50 percent for purposes of such paragraph (B) thereof.

"(B) Pre-2018 unused overall domestic loss.—For purposes of this paragraph, the term 'pre-2018 unused overall domestic loss' means any overall domestic loss which—

"(i) arises in a qualified taxable year beginning before January 1, 2018, and

"(ii) has not been used under paragraph (1) for any taxable year beginning before such date.

"(C) Applicable taxable year.—For purposes of this paragraph, the term 'applicable taxable year' for any taxable year of the taxpayer beginning after December 31, 2017, and before January 1, 2028, is the year in which the amendment made by this section shall apply to taxable years beginning after December 31, 2017.

(PART II—INBOUND TRANSACTIONS

SEC. 14401. BASE EROSION AND ANTI-ABUSE TAX.

(a) Taxation of Tax.—Subchapter A of chapter 1 is amended by adding at the end the following new part:

"PART VII—BASE EROSION AND ANTI-ABUSE TAX

"Sec. 59A. Tax on base erosion payments of taxpayers with substantial gross receipts.

"Sec. 59A. TAX ON BASE EROSION PAYMENTS OF TAXPAYERS WITH SUBSTANTIAL GROSS RECEIPTS.

"(a) Imposition of Tax.—There is hereby imposed on each applicable taxpayer for any taxable year a tax equal to the base erosion minimum tax amount for the taxable year.

"(b) Base Erosion Minimum Tax Amount.—For purposes of this section—

"(1) Except as provided in paragraphs (2) and (3), the term 'base erosion minimum tax amount' means, with respect to any applicable taxpayer for any taxable year, the excess (if any) of—

"(1) an amount equal to 10 percent of the modified taxable income of such taxpayer for the taxable year, over

"(2) an amount equal to the regular tax liability (as defined in section 26(b)) of the taxpayer for the taxable year, reduced (but not below zero) by the excess (if any) of—

"(i) the amount under this chapter against such regular tax liability, over

"(ii) the credit allowed under section 38 for the taxable year which is properly allocable to the research credit determined under section 41(a).

"(2) Modifications for taxable years beginning after 2025.—In the case of any taxable year beginning after December 31, 2025, paragraph (1) shall be applied—

"(A) by substituting '12.5 percent' for '10 percent' in subparagraph (A) thereof, and

"(B) with respect to a related corporation treated as a foreign corporation after November 9, 2017, or a related party of the taxpayer and then to such related party.

"(A) such services are services which meet the requirements for eligibility for treatment under the services cost method under section 482 (as determined without regard to the requirement that the services not contribute significantly to the profits of the taxpayer and with respect to which a deduction is allowable under chapter 1).

"(B) the average annual gross receipts with respect to such services for the taxable year is 4 percent or higher.

"(C) Definitions.—For purposes of this paragraph—

"(i) 'base erosion percentage' means—

"(I) any deduction described in subsection (d)(1) which is allowed under this chapter for the taxable year with respect to any base erosion payment.

"(II) in the case of a base erosion payment described in subsection (d)(2), any deduction allowed under this chapter for the taxable year for depreciation (or amortization in lieu of depreciation) with respect to the property acquired with such payment, and

"(iii) in the case of a base erosion payment described in subsection (d)(3), any deduction in gross receipts with respect to such payment in computing gross income of the taxpayer for the taxable year for purposes of this chapter.

"(B) Tax benefits disallowed if tax withheld on base erosion payment.—

"(1) In general.—Except as provided in clause (ii), any tax benefit attributable to any base erosion payment—

"(i) on which tax is imposed by section 871 or 881, and

"(ii) with respect to which tax has been deducted and withheld under section 442 or 444, shall not be taken into account in computing modified taxable income under paragraph (1) or the base erosion percentage under paragraph (4).

"(c) Definition.—For purposes of this section—

"(1) IN GENERAL.—The term 'applicable taxpayer' means—

"(A) a corporation treated as a domestic corporation after November 9, 2017, or a related party of the taxpayer, but only if such person first became a surrogate foreign corporation after November 9, 2017, or

"(B) a person described in paragraph (1) which is a related party of the taxpayer, but only if such person first became a surrogate foreign corporation after November 9, 2017, or

"(ii) foreign person which is a member of the same expanded affiliated group as the surrogate foreign corporation.

"(B) PURPOSE.—Such term shall also include any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer in connection with the acquisition by the taxpayer from such person of property of a character subject to the allowance of depreciation (or amortization in lieu of depreciation).

"(3) Definition.—For purposes of this section—

"(1) IN GENERAL.—The term 'base erosion payment' means any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer under this chapter for the taxable year.

"(B) Special rules.—The amount under subparagraph (A) shall be determined—

"(i) by not taking into account any deduction allowed under section 172, 264A, or 265 for the taxable year.

"(D) BASE EROSION PAYMENT.—For purposes of this section—

"(1) IN GENERAL.—The term 'base erosion payment' means any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer and with respect to which a deduction is allowable under this chapter.

"(2) PURCHASE OF DEPRECIABLE PROPERTY.—Such term shall also include any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer under this chapter for the taxable year.

"(3) CERTAIN TAXPAYERS AND TAXPAYER GROUPS.—

"(A) In general.—Such term shall also include any amount paid or accrued by the taxpayer to a foreign person which is a related party of the taxpayer under this chapter for the taxable year.

"(B) Person described.—A person is described in this subparagraph if such person is a—

"(i) surrogate foreign corporation which is a related party of the taxpayer, but only if such person first became a surrogate foreign corporation after November 9, 2017, or

"(ii) foreign person which is a member of the same expanded affiliated group as the surrogate foreign corporation.

"(C) Definitions.—For purposes of this paragraph—

"(i) SURROGATE FOREIGN CORPORATION.—

"(A) In general.—The term 'surrogate foreign corporation' has the meaning given such term by section 7874(a)(2) but does not include a foreign corporation after November 9, 2017, or a related party of the taxpayer under this chapter for the taxable year.

"(B) Person described.—A person is described in this subparagraph if such person is a—

"(i) surrogate foreign corporation which is a related party of the taxpayer, but only if such person first became a surrogate foreign corporation after November 9, 2017, or

"(ii) foreign person which is a member of the same expanded affiliated group as the surrogate foreign corporation.

"(D) AMOUNT.—For purposes of this section—

"(1) IN GENERAL.—The term 'base erosion tax benefits' of the taxpayer for the taxable year, by

"(ii) the aggregate amount of the deductions allowable to the taxpayer under this chapter for the taxable year.

"(B) SPECIAL RULES.—The amount under subparagraph (A) shall be determined—

"(i) by not taking into account any deduction allowed under section 172, 264A, or 265 for the taxable year.

"(D) ELECTION TO INCREASE PERCENTAGE OF TAXABLE INCOME TREATED AS FOREIGN SOURCE.—

"(1) IN GENERAL.—The term 'modified taxable income' means taxable income of the taxpayer computed under this chapter for the taxable year, determined without regard to—

"(A) any base erosion tax benefit with respect to any base erosion payment, or

"(B) the base erosion percentage of any net operating loss deduction allowed under section 172 for the taxable year.

"(2) BASE EROSION TAX BENEFIT.—

"(A) IN GENERAL.—The term 'base erosion tax benefit' means—

"(i) any deduction described in subsection (d)(1) which is allowed under this chapter for the taxable year with respect to any base erosion payment.

"(ii) in the case of a base erosion payment described in subsection (d)(2), any deduction allowed under this chapter for the taxable year for depreciation (or amortization in lieu of depreciation) with respect to the property acquired with such payment, and

"(iii) in the case of a base erosion payment described in subsection (d)(3), any reduction in gross receipts with respect to such payment in computing gross income of the taxpayer for the taxable year for purposes of this chapter.

"(B) TAX BENEFITS DISREGARDED IF TAX WITHHELD ON BASE EROSION PAYMENT.—

"(1) In general.—Except as provided in clause (ii), any tax benefit attributable to any base erosion payment—

"(i) on which tax is imposed by section 871 or 881, and

"(ii) with respect to which tax has been deducted and withheld under section 442 or 444, shall not be taken into account in computing modified taxable income under paragraph (1) or the base erosion percentage under paragraph (4).

"(c) Exception.—The amount not taken into account in computing modified taxable income under paragraph (1)(A) or the base erosion percentage under paragraph (4) shall be taken into account in computing taxable income of such taxpayer for purposes of subparagraph (B).

"(D) EXPANDED AFFILIATED GROUP.—The term 'expanded affiliated group' has the meaning given such term by section 7874(c)(1).

"(4) Exception for certain amounts with respect to services.—Paragraph (1) shall not apply to any amount paid or accrued by a taxpayer for services if—

"(A) such services are services which meet the requirements for eligibility for treatment under the services cost method under section 482 (determined without regard to the requirement that the services contribute significantly to the profits of the services provider or supplier), and

"(B) such amount constitutes the total services cost with no markup.

"(E) APPLICABLE TAXPAYER.—For purposes of this section—

"(1) IN GENERAL.—The term ‘applicable taxpayer’ means, with respect to any taxable year, a taxable year for purposes of this chapter for the taxable year.

"(A) a corporation other than a regulated investment company, a real estate investment trust, or an S corporation, and

"(B) the average annual gross receipts of which for the taxable year are at least $300,000,000, and

"(ii) the base erosion percentage (as determined under subsection (c)(4)) of which for the taxable year is 4 percent or higher.
‘(2) Gross receipts.—
(A) Special rule for foreign persons.—In the case of a foreign person the gross receipts of which are taken into account for purposes of this section, the term ‘gross receipts’ shall include any payments which are taken into account in determining income which is effectively connected with the conduct of a trade or business within the United States or a United States person.
(B) Other rules made applicable.—Rules similar to the rules of subparagraphs (B), (C), and (D) of section 6038(c)(3) shall apply in determining gross receipts for purposes of this section.
(C) Aggregation rules.—All persons treated as a single employer under subsection (a) of section 52 shall be treated as 1 person for purposes of this subsection and subsection (c)(4), except that in applying section 11638 for purposes of section 52, the exception for foreign corporations under section 1563(b)(2)(C) shall be disregarded.
(D) Related party.—For purposes of this section—
(1) In general.—The term ‘related party’ means, with respect to any corporation, any person who—
(A) directly or indirectly owns a 25-percent or greater interest in the stock of the corporation,
(B) holds an option to acquire stock which is owned by a person who is not a United States person,
(C) holds a right to acquire stock which is owned by a person who is not a United States person, or
(D) is a 25-percent owner of the corporation and each foreign person which is a related party to the reporting corporation.
(2) 25-percent owner.—The term ‘25-percent owner’ means, with respect to any corporation, any person who owns at least 25 percent of—
(A) the total voting power of all classes of stock of a corporation entitled to vote, or
(B) the total value of all classes of stock of such corporation.
(3) Section 11638 to apply.—Section 11638 shall apply for purposes of paragraphs (1) and (2), except that—
(A) 10 percent’ shall be substituted for ‘50 percent’ in section 11638(a)(2)(C), and
(B) paragraphs (1) and (2) of section 11638(a)(3) shall not be applied as to classes of stock with respect to shares of which, or any payment or other transfer with respect to which, is (directly or indirectly) determined by reference to one or more of the following—
(i) Any share of stock in a corporation.
(ii) Any evidence of indebtedness.
(iii) Any commodity which is actively traded.
(iv) Any currency.
(v) Any rate, price, amount, index, formula, or algorithm.
(B) Transactions of American Depository Receipts and Similar Instruments.—Except as otherwise provided by the Secretary, for purposes of this part, American depository receipts with respect to shares of stock in foreign corporations shall be treated as shares of stock in such foreign corporations.
(4) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including regulations—
(A) providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section through—
(A) the use of unrelated persons, conduit transactions, or other intermediaries, or
(B) transactions or arrangements designed, in whole or in part, for purposes of—
(i) characterizing payments otherwise subject to this section as payments not subject to this section,
(ii) to substitute payments not subject to this section for payments otherwise subject to this section and
(2) for the application of subsection (g), including rules to prevent the avoidance of the exceptions under subsection (g)(3).
(b) Reporting requirements and penalties.—
(1) In general.—Subsection (b) of section 6038A is amended to read as follows:
(b) Required Information.—
(1) In general.—For purposes of subsection (a), the information described in this subsection is such information as the Secretary prescribes by regulations relating to—
(A) the name, principal place of business, nature of business, and country or countries in which organized or resident, of each person which—
(i) is a related party to the reporting corporation, and
(ii) had any transaction with the reporting corporation during its taxable year, and
(B) the manner in which the reporting corporation is related to each person referred to in subparagraph (A), and
(C) transactions between the reporting corporation and each foreign person which is a related party to the reporting corporation.
(2) Additional information regarding base erosion payments.—For purposes of paragraphs (a) and (e) of section 6038C, if the reporting corporation or the foreign corporation to whom section 6038C applies is an applicable taxpayer, the information described in this subsection shall include—
(A) such information as the Secretary determines necessary to determine the base erosion minimum tax amount, base erosion tax benefits of the taxpayer for purposes of section 59A for the taxable year, and
(B) such other information as the Secretary determines necessary to carry out such section.
For purposes of this paragraph, any term used in this paragraph which is also used in section 59A shall have the same meaning as when used in such section.
(3) Increase in penalty.—Paragraphs (1) and (2) of section 6038A(d)(2) are each amended by striking ‘$10,000’ and inserting ‘$25,000’.
(c)Disallowance of credits against base erosion tax.—Paragraph (2) of section 6902(a) is amended by inserting the following new clause:
(B) section 59A (relating to base erosion anti-abuse tax).
(d) Conforming amendments.—
(1) The table of parts for chapter A of title 11, subchapter L of chapter 1, whichever is applicable, is amended by adding after the last part VI the following new part VII:
Part VII. Base erosion and anti-abuse tax.
(2) Paragraph (1) of section 882(a), as amended by the Act, is amended by inserting the following new clause:
(A) the tax imposed by section 59A, plus''.
(3) Subparagraph (A) of section 6425(c)(1), as amended by section 13001, is amended to read as follows:
(A) the tax imposed by section 59A, over''.
(4) Paragraph (2) of section 6655(g), as amended by section 13001, is amended by—
(A) inserting ‘modified taxable income’ after ‘taxable income’.
(B) inserting at the end the following new clause:
(iii) ‘modified taxable income’—The term ‘modified taxable income’ has the meaning given such term by section 59A(c)(1)."
(e) Effective date.—The amendments made by this section shall apply to tax years beginning after December 31, 2017.

PART III—OTHER PROVISIONS
SEC. 14501. RESTRICTION ON INSURANCE BUSINESS EXCEPTION TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.
(a) In general.—Section 1297(b)(2)(B) is amended to read as follows:
(B) ‘derived in the active conduct of an insurance business by a qualifying insurance corporation (as defined in subsection (I)).’

Section 1297—Intermediate Holding Company Definitions.—Section 1297 is amended by adding after the last clause referred to in paragraph (b)(2) the following new clause:
(iii) ‘related party’—The term ‘related party’ means—
(A) a United States person,
(B) any person who is related (within the meaning of section 1563(b)(2)(C)) to the taxpayer, and
(C) any other person who is related (within the meaning of section 482) to the taxpayer.

(2) Paragraph (1) of section 882(a), as amended by the Act, is amended by inserting the following new clause:
(A) the tax imposed by section 59A, plus''.

(3) Subparagraph (A) of section 6425(c)(1), as amended by section 13001, is amended to read as follows:
(A) the tax imposed by section 59A, over''.

(5) Paragraph (2) of section 6655(g), as amended by section 13001, is amended by—
(A) inserting ‘modified taxable income’ after ‘taxable income’.
(B) inserting at the end the following new clause:
(iii) ‘modified taxable income’—The term ‘modified taxable income’ has the meaning given such term by section 59A(c)(1)."
(e) Effective date.—The amendments made by this section shall apply to tax years beginning after December 31, 2017.
"(f) QUALIFYING INSURANCE CORPORATION.—For purposes of subsection (b)(2)(B)—
(1) IN GENERAL.—The term ‘qualifying insurance corporation’ means, with respect to any corporation—
(A) which would be subject to tax under subchapter L if such corporation were a domestic corporation, and
(B) if less, the amount required by applicable insurance regulatory body, but only to the extent such income is attributable to an office or fixed place of business within the United States (determined under the rules of section 866(c)(5))’’ before the end of the year.

(b) SOURCE RULES FOR PERSONAL PROPERTY SALES.—Subsection (j)(3) of section 866 of the Internal Revenue Code of 1986 is amended by inserting ‘‘a second lease sale under the oil and gas program under this section not later than 7 years after the date of enactment of this Act;’’

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

TITLE II
SEC. 20001. OIL AND GAS PROGRAM.

(a) DEFINITIONS.—In this section:
(1) COASTAL PLAIN.—The term ‘Coastal Plain’ means the area identified as the 1002 Area on the plates prepared by the United States Geological Survey entitled ‘‘ANWR Map – Plate 1’’ and ‘‘ANWR Map – Plate 2’’, dated October 24, 2017, and on file with the United States Geological Survey and the Office of the Solicitor of the Department of the Interior.

(2) SECRETARY.—The term ‘Secretary’ means the Secretary of the Interior, acting through the Bureau of Land Management.

(b) OIL AND GAS PROGRAM.—

(1) IN GENERAL.—Subsection (b)(2) of section 837 of the Internal Revenue Code of 1986 is amended by inserting ‘‘a second lease sale under the oil and gas program under this section not later than 7 years after the date of enactment of this Act;’’

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 20002. LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OUTER CONTINENTAL SHELF REVENUES.


(1) BY REPEAL AND REINSERTION OF THE PROVISIONS OF SECTION 864(e) RELATING TO THE STRATEGIC PETROLEUM RESERVE.—

(2) LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OUTER CONTINENTAL SHELF REVENUES.—

(3) SURFACE DEVELOPMENT.—In administering this section, the Secretary shall authorize up to 2,000,000 acres of Federal land on the Coastal Plain to be covered by production and support facilities (including airfields and airports, supports for pipelines) during the term of the leases under the oil and gas program under this section.

SEC. 20003. STRATEGIC PETROLEUM RESERVE DRAWDOWN AND SALE.

(a) DRAWDOWN AND SALE.—

(1) IN GENERAL.—Notwithstanding section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), as inserted in section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241), the Secretary of Energy shall not draw down and sell from the Strategic Petroleum Reserve 7,000,000 barrels of crude oil during the period of fiscal years 2026 through 2027.

(2) DEPOSIT OF AMOUNTS RECEIVED FROM SALES.—Amounts not deposited under paragraph (1) shall be deposited in the general fund of the Treasury for the fiscal year in which the sale occurs.

Emergency Provisions.—The Secretary of Energy shall not draw down and sell crude oil under subsection (a) in a quantity that would limit the authority to sell petroleum products under subsection (b) of section 161 of the Energy Policy and Conservation Act (42 U.S.C. 6241) in the full quantity authorized under such section.

(c) LIMITATION.—The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which 500,000,000 barrels have been deposited in the general fund of the Treasury from sales authorized under that subsection.
SA 1856. Mr. MERKLEY proposed an amendment to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

On page 28g, strike lines 17 through 19

SA 1857. Mr. DAINES (for himself, Mrs. ERNST, Mr. LANKFORD, Mr. MORAN, Mrs. FISCHER, Mr. INHOFE, Mr. BLUNT, Mr. LEE, Mr. RISCH, and Mr. Sasse) submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MURKOWSKI)) to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table; as follows:

Beginning on page 46, strike line 7 and all that follows through page 48, line 20 and insert the following:

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(1) Budget.—In the case of a taxable year beginning after December 31, 2017, and before January 1, 2026, this subsection shall be applied as provided in paragraphs (2) through (8).

(2) Credit amount.—Subsection (a) shall be applied by substituting '$2,000' for '$1,000'.

(3) Limitation.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be $500,000.

(4) Partial credit allowed for certain other dependents.—

(A) In general.—The credit determined under subsection (a) (after the application of paragraph (2)) shall be increased by $500 for each dependent of the taxpayer (as defined in section 152) other than a qualifying child described in subsection (c).

(B) Exception for certain noncitizens.—Subparagraph (A) shall not apply with respect to any individual who would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

(5) Maximum amount of refundable credit.—

(A) In general.—Subsection (d)(1)(A) shall be applied without regard to paragraph (4) of this subsection.

(B) Adjustment for inflation.—In the case of a taxable year beginning after 2017, subsection (d)(1)(A) shall be applied as if the $1,000 amount in subsection (a) were increased (but not to exceed the amount under paragraph (2) of this subsection) by an amount equal to—

(i) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins.

Any increase determined under the preceding sentence shall be rounded to the next highest multiple of $100.

(6) Earned income threshold for refundable credit.—Subsection (d)(1)(B) shall be applied by substituting '$3,500' for '$3,000'.

(7) Social security number required.—No credit allowed under subsection (d) to a taxpayer with respect to any qualifying child unless the taxpayer includes the social security number of such child on the return for the taxable year. For purposes of the preceding sentence, the term 'social security number' means a social security number issued to an individual by the Social Security Administration, but only if the social security number is issued to a citizen of the United States or is issued pursuant to a determination of status under (III) that relates to subclause (I) of section 205(c)(2)(B)(i) of the Social Security Act.

(8) Credit allowed with respect to certain children.—

(A) In general.—The term 'qualifying child for any such taxable year includes any child who is born and issued a social security number (as defined in paragraph (7)) before the due date for the return of tax (without regard to extensions) for the taxable year.

(B) Double credit for certain children unable to claim credit.—In the case of any child born during a taxable year described in paragraph (1) who is not taken into account under subparagraph (A) for the taxable year immediately preceding the taxable year in which the child is born, the amount of the credit determined under this section with respect to such child for the taxable year in which the child's birth shall be increased by the lesser of—

(i) the amount of the credit determined under this paragraph with respect to such child for the taxable year without regard to this subparagraph and subsection (d), or

(ii) the amount of the credit determined under subsection (d) with respect to such child for the taxable year.

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SA 1858. Ms. BALDWIN submitted an amendment intended to be proposed by her to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table, as follows:

Strike subsection (b) of section 11011.

SA 1859. Mr. FRANKEN submitted an amendment intended to be proposed by him to the bill H.R. 1, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; which was ordered to lie on the table, as follows: At the end of part IV of subtitle A of title I, add the following:

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SEC. 11033. SENSE OF THE SENATE ON PREVENTING TAX INCREASES ON GRADUATE STUDENTS.

It is the sense of the Senate that—

(1) tuition waivers for graduate students support critical research, education, and innovation in the United States, and

(2) tuition waivers for graduate students should not be treated as taxable income.

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PRIVILEGES OF THE FLOOR
Mr. CASEY. Mr. President, I ask unanimous consent that Rachel McKinnon of my staff be granted floor privileges for the duration of the 115th Congress.

The PRESIDING OFFICER. Without objection, it is so ordered.

COMMENORATING THE 62ND ANNIVERSARY OF THE DEDICATION OF WHITEMAN AIR FORCE BASE
Mr. ENZI. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of S. Res. 347, submitted earlier today.

The PRESIDING OFFICER. The clerk will report the resolution by title.

The senior assistant legislative clerk read as follows:

A resolution (S. Res. 347) commemorating the 62nd anniversary of the dedication of Whiteman Air Force Base.

There being no objection, the Senate proceeded to consider the resolution.

Mr. ENZI. Mr. President, I ask unanimous consent that the resolution be