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. ROYBLIN, Mr. TRUDELL, and Mr. TRURIS) 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. 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. RUBIO (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 1845. 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 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.

SA 1847. Mr. 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. CASEY submitted 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. DUBIN, 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)) 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. LANDECK, Mr. MORAN, Mrs. FISCHER, 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, 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.

SA 1863. Mr. FRANKEN submitted an amendment intended to be proposed to amendment SA 1845. Mr. INHOFE (for himself and Mr. MURKOWSKI) to the bill H.R. 1, supra.
“(A) in accordance with the method regularly employed by such domestic company, if such method clearly reflects income derived from, and the other items attributable to, the qualified business unit, and

“(B) in all other cases, in accordance with regulations prescribed by the Secretary.

“(T) EFFECT OF ELECTION AND TERMINATION—

“(A) IN GENERAL.—For purposes of this title, each electing insurance, banking, and financing branch shall be treated as a foreign corporation organized in its home country (as defined in section 956(e)(6)(B)).

“(B) TREATMENT OF ASSETS AND LIABILITIES.—Any domestic corporation making an election under paragraph (5) shall be treated as transferring (as of the first day of the first taxable year to which such election applies) all of the assets and liabilities separately accounted for under paragraph (6) to a foreign corporation in connection with an exchange to which section 351 applies, subject to section 367.

“(C) EFFECT OF TERMINATION OF ELECTION.—If an election is made by a domestic corporation under paragraph (5) for any taxable year, and such election ceases to apply to the electing insurance, banking, and financing branch for any subsequent taxable year, the electing insurance, banking, and financing branch treated as a foreign corporation shall be treated (as of the first day of the first taxable year following such cessation) as liquidating under section 332, subject to section 367.

“(D) TRANSACTIONS BETWEEN ELECTING INSURANCE, BANKING, AND FINANCING BRANCH AND DOMESTIC CORPORATION.—Any amount directly or indirectly transferred or credited from a domestic corporation to an electing insurance, banking, and financing branch account established pursuant to paragraph (6) to one or more other accounts of such domestic company shall be treated as a deemed distribution for purposes of this title.

“Regulations.—

“SA 1812. Ms. MURKOWSKI 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, 2017,” 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”, and

(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: “(t) the Tax Cuts and Jobs Act.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

“SA 1813. Ms. MURKOWSKI 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, 2017,” 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”, and

(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: “(t) the Tax Cuts and Jobs Act.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

“SA 1814. Mr. DAINES 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 amending the section title to read “(d) AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT,”

(2) by striking “first 5 taxable years” in paragraph (1) and inserting “first 11 taxable years”, and

(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: “(t) the Tax Cuts and Jobs Act.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

“SA 1815. Mr. DAINES (for himself, Mrs. ERNST, Mr. LANKFORD, Mr. MORAN, Mrs. PISCHE, 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:

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, 2017,” 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”, and

(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: “(t) the Tax Cuts and Jobs Act.”

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.
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:

(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 B of part VII of subtitle C of title I, add the following:

SEC. 1361. MOVING UNUSUALS GOVERN HARDSHIP DISTRIBUTIONS.

(a) IN GENERAL.—Not later than 1 year after the date of the enactment of this Act, the Secretary of the Treasury shall modify Treasury Regulation section 1.401(k)-1(d)(3)(iv)(E) to—

(1) delete the 6-month prohibition on contributions imposed by paragraph (2) thereof, and

(2) make any other modifications necessary to carry out the purposes of section 401(k)(2)(B)(i)(IV) 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 446, strike lines 16 through 25, and insert the following:

(1) 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) 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

(ii) the taxpayer 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.

SA 1820. 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:

At the end of subpart D of part VII of subtitle C of title I, add the following:
SEC. 13543. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS.

(a) In General.—Section 1371 is amended by adding at the end the following new subsection:

“(4) CASH DISTRIBUTIONS FOLLOWING POST-TERMINATION PERIOD.—

“(1) IN GENERAL.—In the case of a distribution of money by an eligible terminated S corporation after the post-termination 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 ratio as the amount 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—

“(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 revocation of its election under section 1362(a), and

“(B) the owners of the stock of which, determined as of the date of such revocation, are the same owners (and in identical proportions) as on the date of such enactment.

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

SA 1821. 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, 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. 3. CONSOLIDATION OF EDUCATION SAVINGS RULES.

(a) NO NEW CONTRIBUTIONS TO COVERDELL EDUCATION SAVINGS ACCOUNTS.—Section 530(b)(1)(A) is amended to read as follows:

“(A) Except in the case of rollover contributions, no contribution will be accepted after December 31, 2017.

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

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

“(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION AND QUALIFIED EARLY EDUCATION EXPENSES.—Each reference in this section to the term ‘qualified higher education expense’ is deemed to include—

“(A) a reference to expenses for tuition in connection with enrollment at an elementary or secondary school; and

“(B) a reference to expenses for providing educational and other care to a child under age 5, as determined under the law of the State involved, provided pursuant to attendance at a school or facility licensed in the State for such purpose (referred to in this section as ‘qualified early education expenses’).

(2) LIMITATION.—Section 529(c)(3)(A) is amended by adding at the end the following:

“The amount of cash distributions from all qualified tuition pro grams described in subsection (b)(1)(A)(i) with respect to a beneficiary during any taxable year, shall, in the aggregate, include (as the case may be) not more than $10,000 in expenses for tuition incurred during such taxable year in connection with the enrollment or attendance of the beneficiary as an elementary or secondary school student at a public, private, or religious school, and to qualified early education expenses incurred during the taxable year.”.

(c) ROLLOVERS FROM COVERDELL EDUCATION SAVINGS ACCOUNT TO QUALIFIED TUITON PROGRAMS.—Section 530(d)(4)(A) is amended by inserting “, or into” after “(by purchase or contribution) a qualified tuition program” immediately following “the term ‘qualified education savings account’”.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions made after December 31, 2017.

(2) ROLLOVERS TO QUALIFIED TUTION PROGRAMS.—The amendments made by subsection (b) shall apply to distributions after December 31, 2017.

SA 1823. 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:

Strike section 13392.

SA 1824. 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:

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 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 187, strike line 15 and insert the following: “(v) manufacturers making upgrades to comply with State or Federal environmental regulations.

SA 1826. Mr. SCOTT (for himself, Mr. BLUNT, Mr. PORTMAN, Mr. ISAKSON, Mr. GRASSLEY, Mr. CRAPO, Mr. ROBERTS, Mr. ROUNDS, Mr. STRANGE, Mr. SHELBY, Mr. BARR, Mr. COTTON, Mr. GARDNER, Mr. BOOZMAN, Mrs. ENST, Mr. BLUNT, Mr. RISCH, Mr. ROUNDS, Mr. MORAN, Mr. COTTON, and Mr. DAINES) 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:

2018; which was ordered to lie on the table;
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) 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) The unearned premiums and unpaid losses included in total reserves under section 816(c).

(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 payment of benefits which are payable at any time (with respect to which the computation is made under this paragraph) life, accident, or health contingencies.

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

(5) Premiums received in advance, and liabilities which do not exceed interest.

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

For purposes of paragraph (3), the appropriate rate of interest is the highest rate at which there is a reserve described in subsection (b) of section 816.

(b) For purposes of this paragraph, the following new paragraphs:

"(1) DETERMINATION OF RESERVE.—

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

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

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

"(1) the net surrender value of such contract, or

"(ii) 92.37 percent of the reserve determined under paragraph (2),

"(2) 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) of section 954(i)(5) applies) shall be the greater of—

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

"(ii) 92.37 percent of the reserve determined under paragraph (2),

"(3) TRANSITION RULE.—For the first taxable year beginning after December 31, 2017, the reserve with respect to each contract described in subsection (c) and before the close of the 3-year period beginning on the first day of the year of change shall be taken into account for the purposes of determining income.

"(4) 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 issued or renewed after December 31, 2017, is less than the amount determined under subsection (a)(2) of this section, the amount the reserve which would have been determined under subparagraph (A)(ii) of such excess shall be taken into account, for each of the first 3 years beginning after December 31, 2017, and

"(ii) the reserve which would have been determined under subparagraph (A)(ii) is less than—

"(A) in the case of contracts issued or renewed after December 31, 2017, the amount determined under section 807(d)(2) of the Internal Revenue Code of 1986 (determined without regard to the amendments made by this section),

"(B) in the case of contracts issued or renewed before December 31, 2017, the amount determined under subsection (a)(2) of this section, the amount the reserve which would have been determined under subparagraph (A)(ii) of such excess shall be taken into account, for each of the first 3 years beginning after December 31, 2017, and
of the 8 succeeding taxable years, as a deduction under section 835(a)(2) or 832(c)(4) of such Code, as applicable.

(ii) If the amount determined under subparagraph (A)(ii) of such excess shall be included in gross income, for each of the 8 succeeding taxable years, under section 86(h)(2) or 832(b)(11) of such Code, as applicable.

SEC. 13518. MODIFICATION OF RULES FOR LIFE INSURANCE PROFESSION 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 subsections (a), (b), and (c), 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 1317(a)(2) is amended by striking "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.

SEC. 13519. CAPITALIZATION OF CERTAIN POLICY ACQUISITION EXPENSES.

(a) In General.—(1) Section 848(e)(2) is amended by striking "12-month" and inserting "180-month";

"(2) Section 848(e)(3) is amended by striking "1.75 percent" and inserting "2.1 percent";

"(3) Section 848(c)(2) is amended by striking "0.25 percent" and inserting "2.46 percent";

"(4) Section 848(c)(3) is amended by striking "7.7 percent" and inserting "2.46 percent";

"(b) Conforming Amendments.—Section 848(b)(1) is amended by striking "12-month" and inserting "180-month".

(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.—Specified policy acquisition expenses first required to be capitalized in a taxable year beginning before January 1, 2018, and attributable to the calendar year beginning after December 31, 2017, shall be deducted ratably during the 12-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 the fourth paragraph of such title II, the amendment made by this section shall apply to property placed in service after December 31, 2016.

SA 1828. Ms. COLLINS (for herself and Mr. KING) 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 the third paragraph of such title V, the amendment made by this section shall apply to property placed in service after December 31, 2016.

SA 1829. Mr. RISCH 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:

SEC. 13111. 7-YEAR CLASS LIFE FOR MOTORSPORTS ENTERTAINMENT COMPLEX FACILITIES MADE PERMANENT.

(a) In General.—Section 168(i)(15) of the Internal Revenue Code of 1986 is amended by striking subparagraph (D).

(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2016.

SA 1831. Mr. KAINIE (for himself, Mr. MANCHIN, Mr. BENNET, and Mrs. McCaskill) 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:

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:

<table>
<thead>
<tr>
<th>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $19,050</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>Over $19,050 but not over $77,400</td>
<td>$1,905, plus 12% of the excess over $19,050.</td>
</tr>
</tbody>
</table>

Over $77,400 $7,720 .......................... $47,050, plus 24% of the excess over $77,400.
VerDate Sep 11 2014 09:24 Dec 02, 2017 Jkt 079060 PO 00000 Frm 00075 Fmt 0624 Sfmt 0634 E:\CR\FM\A01DE6.052 S01DEPT1

RETURNS.—The table contained in subsection 1(f)(2)(A), as amended by this Act, 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>Over $7,700 but not over $16,000</td>
<td>$9,807, plus 22% of the excess over $7,700.</td>
</tr>
<tr>
<td>Over $14,000 but not over $32,000</td>
<td>$22,679, plus 24% of the excess over $14,000.</td>
</tr>
<tr>
<td>Over $32,000 but not over $48,000</td>
<td>$65,879, plus 32% of the excess over $32,000.</td>
</tr>
<tr>
<td>Over $48,000 but not over $80,000</td>
<td>$91,479, plus 35% of the excess over $48,000.</td>
</tr>
<tr>
<td>Over $80,000 but not over $180,000</td>
<td>$119,040.50, plus 39.6% of the excess over $80,000.</td>
</tr>
<tr>
<td>Over $180,000 but not over $400,000</td>
<td>$240,026, plus 35% of the excess over $180,000.</td>
</tr>
<tr>
<td>Over $400,000 but not over $2,000,000</td>
<td>$426,700, plus 37% of the excess over $400,000.</td>
</tr>
<tr>
<td>Over $2,000,000 but not over $3,350,000</td>
<td>$51,800, plus 12% of the excess over $2,000,000.</td>
</tr>
<tr>
<td>Over $3,350,000 but not over $4,530,000</td>
<td>$9,541, plus 22% of the excess over $3,350,000.</td>
</tr>
<tr>
<td>Over $4,530,000 but not over $70,000,000</td>
<td>$160,000, plus 10% of the excess over $4,530,000.</td>
</tr>
<tr>
<td>Over $70,000,000 but not over $160,000,000</td>
<td>$5,941, plus 22% of the excess over $70,000,000.</td>
</tr>
<tr>
<td>Over $160,000,000 but not over $2,000,000,000</td>
<td>$9,941, plus 24% of the excess over $160,000,000.</td>
</tr>
<tr>
<td>Over $2,000,000,000 but not over $5,000,000,000</td>
<td>$53,510, plus 32% of the excess over $2,000,000,000.</td>
</tr>
<tr>
<td>Over $5,000,000,000 but not over $10,000,000,000</td>
<td>$213,020.50, plus 39.6% of the excess over $5,000,000,000.</td>
</tr>
</tbody>
</table>

If taxable income is:

| Not over $13,600 | $1,360, plus 12% of the excess over $13,600. |
| Over $13,600 but not over $51,800 | $9,541, plus 22% of the excess over $13,600. |
| Over $51,800 but not over $136,000 | $9,941, plus 24% of the excess over $51,800. |
| Over $136,000 but not over $240,000 | $31,548, plus 32% of the excess over $136,000. |
| Over $240,000 but not over $320,000 | $119,040.50, plus 39.6% of the excess over $240,000. |
| Over $320,000 but not over $400,000 | $44,348, plus 35% of the excess over $320,000. |
| Over $400,000 but not over $518,000 | $91,479, plus 35% of the excess over $400,000. |
| Over $518,000 but not over $700,000 | $119,040.50, plus 39.6% of the excess over $518,000. |
| Over $700,000 but not over $1,000,000 | $240,026, plus 35% of the excess over $700,000. |
| Over $1,000,000 but not over $2,000,000 | $426,700, plus 37% of the excess over $1,000,000. |
| Over $2,000,000 but not over $400,000,000 | $53,510, plus 32% of the excess over $2,000,000. |
| Over $400,000,000 but not over $2,000,000,000 | $213,020.50, plus 39.6% of the excess over $400,000,000. |

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2025.

SA 1832. Mr. JOHNSON submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCCONNELL (for Mr. HATCH (for himself and Mrs. 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. 1. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS.

(a) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—Subsection 481 is amended by adding at the end the following new subsection:

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

(1) 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 3-year period beginning on the date of such enactment makes a revocation of its election under section 1362(a); and

(b) CASH DISTRIBUTIONS FOLLOWING POST-TERMINATION TRANSITION PERIOD FROM S CORPORATION STATUS.—Section 1371 is amended by adding at the end the following new subsection:

(2) PERIOD FOR WHICH DESIGNATION IS IN EFFECT.—The term ‘determination period’ means the 90-day period beginning on the date of the enactment of the Tax Cuts and Jobs Act, as extended under subsection (b)(2).

(c) ESTATES AND TRUSTS.—The table contained in subsection (a) shall be amended as follows:

If taxable income is:

| Not over $2,500 | $89.70, plus 12% of the excess over $2,500. |
| Over $2,500 but not over $8,950 | $255, plus 24% of the excess over $2,500. |
| Over $8,950 but not over $12,700 | $1,809, plus 35% of the excess over $8,950. |
| Over $12,700 | $3,081.50, plus 39.6% of the excess over $12,700. |

(f) INFLATION ADJUSTMENT.—Section 1(e)(2)(A), as amended by this Act, is amended by striking ‘‘1992’’ and inserting ‘‘2017’’.

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.

(a) QUALIFIED OPPORTUNITY ZONE DEFINED.—For the purposes of this subchapter, the term ‘qualified opportunity zone’ means a population census tract that is a low-income community that is designated as a qualified opportunity zone.

(b) DESIGNATION.—

(i) IN GENERAL.—For purposes of subsection (a), a population census tract that is a low-income community is designated as a qualified opportunity zone if—

(1) a total of 25 of such tracts may be designated in a State, or

(2) a total of 25 of such tracts may be designated for any period beginning on the date of the enactment of the Tax Cuts and Jobs Act, if the total number of low-income communities in the State is less than 100, a total of 50 of such tracts may be designated during any period beginning on the date of the enactment of the Tax Cuts and Jobs Act, if the total number of low-income communities in the State is less than 200, a total of 75 of such tracts may be designated during any period beginning on the date of the enactment of the Tax Cuts and Jobs Act, if the total number of low-income communities in the State is less than 300, a total of 100 of such tracts may be designated during any period beginning on the date of the enactment of the Tax Cuts and Jobs Act, if the total number of low-income communities in the State is less than 400, a total of 125 of such tracts may be designated during any period beginning on the date of the enactment of the Tax Cuts and Jobs Act, if the total number of low-income communities in the State is less than 500, and a total of 150 of such tracts may be designated during any period beginning on the date of the enactment of the Tax Cuts and Jobs Act, if the total number of low-income communities in the State is less than 600.

(ii) a population census tract that is a low-income community may be designated as a qualified opportunity zone under this section if—

(A) the median family income of the tract is less than 80 percent of the median family income of the State, and

(B) the median family income of the tract does not exceed 125 percent of the median family income of the low-income community with which the tract is contiguous.

(iii) the Secretary shall approve any designation under this paragraph.

(iv) a population census tract that is designated as a qualified opportunity zone under this paragraph is a low-income community with which the tract is contiguous.

(b) LIMITATION.—Not more than 5 percent of the population census tracts designated as a qualified opportunity zone under this subchapter are contiguous with an area designated under paragraph (1).
and ending at the close of the 10th calendar
year beginning on or after such date of
designation.

SEC. 1400Z–2. SPECIAL RULES FOR CAPITAL
GAINS INVESTED IN OPPORTUNITY
ZONES.

"(a) IN GENERAL.—In the case of gain from
the sale with, or in exchange for, 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 sale or exchange, and

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

"(3) the amount of gain to which sub-
section (c) shall apply.

No election may be made under the pre-
ceding 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 OPPOR-
TUNITY ZONE PROPERTY.—

"(1) YEAR OF INCLUSION.—Gain to which
subsection (a)(2) applies shall be included in
gross 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.

"(2) AMOUNT INCLUDIBLE.—

"(A) IN GENERAL.—The amount of gain in-
cluded 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 mar-
ket value of the property as determined as of
the date described in paragraph (1), over

"(ii) the taxpayer's basis in the
invest
ment.

"(B) DETERMINATION OF BASIS.—

"(i) IN GENERAL.—Except as otherwise pro-
vided in this clause or subsection (c), the
taxpayer's basis in the investment shall be
zero.

"(ii) INCREASE FOR GAIN RECOGNIZED UNDER
SUBSECTION (a)(2).—The basis in the
invest
ment shall be increased by the amount of
gain recognized by reason of subsection
(a)(2) with respect to such property.

"(iii) INVESTMENTS HELD FOR 5 YEARS.—In
the case of any investment held for at least
5 years, the basis of such investment shall be
increased by an amount equal to 10 percent of
the amount of gain deferred by reason of sub-
section (a)(1).

"(iv) INVESTMENTS HELD FOR 7 YEARS.—In
the case of any investment held by the tax-
payer 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) QUALIFIED OPPORTUNITY FUNDS INVESTED
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 tax-
payer makes an election under this clause,
the basis of such property shall be equal to
the fair market value of such investment on
the date that the investment is sold or ex-
changed.

"(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
partnership or a corporation for the purpose of
investing in qualified opportunity zone
property (other than another qualified oppor-
tunity fund) that holds at least 90 percent of
its assets in qualified opportunity zone
property.

"(A) on the last day of the first 6-month
period of the taxable year of the fund, and

"(B) on the last day of the taxable year of
the fund.

"(2) QUALIFIED OPPORTUNITY ZONE PROP-
ERTY.—

"(A) IN GENERAL.—The term 'qualified oppor-
tunity zone property' means property
which—

"(i) is qualified opportunity zone stock,

"(ii) is qualified opportunity zone partner-
ship interest, or

"(iii) is qualified opportunity zone business
property.

"(B) QUALIFIED OPPORTUNITY ZONE STOCK.

"(1) 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
during the 180-day period beginning on the
date of such sale or exchange, and

"(II) during substantially all of the tax-
payer's holding period for such stock, such
corporation qualified as a qualified oppor-
tunity zone business.

"(ii) REDEMPTIONS.—A rule similar to the
rule of section 1222(c)(3) shall apply for pur-
poses of this paragraph.

"(C) QUALIFIED OPPORTUNITY ZONE PART-
ERNERSHIP INTEREST.—The term 'qualified oppor-
tunity zone partnership interest' means any
capital or profits interest in a domestic
partnership if—

"(i) such interest is acquired by the tax-
payer after December 31, 2017, from the part-
nership solely in exchange for cash,

"(ii) as of the time such interest was ac-
quired, such partnership was a qualified oppor-
tunity zone business, and

"(iii) during substantially all of the tax-
payer's holding period for such interest, such
partnership qualified as a qualified oppor-
tunity zone business.

"(D) QUALIFIED OPPORTUNITY ZONE BUSINESS
PROPERTY.—

"(1) IN GENERAL.—The term 'qualified oppor-
tunity zone business property' means tan-
gible property used in a trade or business of
the taxpayer if—

"(i) such property was acquired by the tax-
payer by purchase (as defined in section
179(d)(2)) after December 31, 2017.

"(ii) the property is of a kind which
in the qualified opportunity zone com-
membrates with the taxpayer or the taxpayer sub-
stantially improves the property, and

"(iii) during substantially all of the tax-
payer's holding period for such property,
substantially all of the use of such property
was in a qualified opportunity zone.

"(2) SPECIAL RULE FOR PARTNERSHIPS.—For
pur-
poses of subparagraph (A)(ii), property
shall be treated as substantially improved by
the taxpayer only if, during any 30-month period
beginning after the date of acquisition of
such property, additions to basis with re-
spect to such property in the hands of the
taxpayer exceed an amount equal to the ad-
justed basis of such property at the begin-
ning of such 30-month period in the hands of
the taxpayer.

"(3) RELATED PERSON.—For purposes of
section 1245(d)(1), the term 'related person' for
purposes of this paragraph shall be

"(A) in general.—The term 'qualified oppor-
tunity zone business' means a trade or
business—

"(i) in which substantially all of the tan-
gible property owned or leased by the tax-
payer is qualified opportunity zone business
property,

"(ii) which satisfies the requirements of
paragraphs (2), (4), and (5) of section 1397(c)(3), and

"(iii) which is not described in section
144(c)(6)(B).

"(B) SPECIAL RULE.—For purposes of sub-
paragraph (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,

"(ii) the date on which such tangible prop-
erty is no longer held by the qualified oppor-
tunity 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 por-
tion 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 sub-
section (a)(1) applies, and

"(ii) a separate investment consisting of
other amounts,

"(B) subsections (a), (b), and (c) shall only
apply to the investment described in sub-
paragraph (A)(i),

"(2) RELATED PERSONS.—For purposes of
this section, persons are related to each
other if such persons are described in section
2709(b) or 707(b)(1), determined by substituting
'20 percent' for '50 percent' each place it oc-
curs 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 in-
come as provided by section 691.

"(e) REGULATIONS.—The Secretary shall
prescribe such regulations as may be nec-
essary or appropriate to carry out the pur-
poses 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 opportu-
nity fund fails to meet the 90-percent re-
quirement 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 oppor-
tunity zone property held by the fund,

"(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
proportionately as part of the distributive
share of each partner of the partnership.

"(3) REASONABLE CAUSE EXCEPTION.—No
penalty shall be imposed under this sub-
section with respect to failures if it is
shown that such failure is due to reasonable
cause."
(b) BASIS ADJUSTMENTS.—Section 1916(a) is amended by inserting ‘‘and’’ at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting ‘‘;’’, and by inserting after paragraph (37) the following:—

‘‘(38) to the extent provided in subsections (b)(2) and (c) of section 14002—’’. 

(c) AMENDMENTS.—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.

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. 2. INVESTMENT CREDIT FOR ELECTRIC GRID SECURITY AND MODERNIZATION PROPERTY.—

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

‘‘(viii) 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) 4 percent for the taxable year beginning after December 31, 2019, and ending before January 1, 2021; 

‘‘(2) 3 percent for the taxable year beginning after December 31, 2020, and ending before January 1, 2022; 

‘‘(3) 20 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, and secure transmission; and 

‘‘(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 switches, sensors, communication security equipment (including communication encryption devices), automated switches, automated threat detection and remediation devices, dynamic voltage control, including voltage regulators, capacitors, inverters, sensors, and communication devices, 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 SYSTEMS.—The term ‘advanced voltage control system’ means any property which—’’;

‘‘(i) is used to provide both the capability to measure services consumed from the utility and a two-way communication pathway between the utility and consumers, 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) provides both the capability to measure services consumed from the utility and a two-way communication pathway between the utility and consumers, and 

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

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

‘‘(i) increases that efficiency, security, and reliability of a transmission facility, but not the main transmission property, and 

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

‘‘(G) UNEMPLOYED BUSINESS CREDIT.—Paragraph (2) of section 39(a) is amended by adding after the period at the end the following new paragraph:

‘‘(h) the Secretary (in consultation with the Secretary of Energy).’’;

‘‘(ii) was an applicable taxpayer during any 5 preceding taxable years, 

‘‘(iii) for any taxable year—’’;

‘‘(I) the sum of the amounts determined under subparagraph (C) for any taxable year described in clause (i) taken into account under subparagraph (A) for any preceding taxable year;

‘‘(J) the taxpayer’s base erosion minimum tax amount for the taxable year without regard to this section, over 

‘‘(K) the taxpayer’s base erosion minimum tax amount for the taxable year which would have been determined if section 59A(b)(1)(K) had been applied by taking into account under clause (ii) thereof the total credit allowed under section 38 for the taxable year other than the portion properly allocable to the research credit determined under section 41(a).’’;

‘‘(2) INCREASED RATE FOR CERTAIN BANKS.—The term ‘applicable bank’ means any financial institution which—’’;

‘‘(A) is a financial institution that—

‘‘(i) is a bank described in subsection (2) of section 5303 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (as in effect on the day before the date of the enactment of this Act), 

‘‘(ii) is a financial institution that is a member of an affiliated group, 

‘‘(iii) is a financial institution that is controlled by a financial institution that is a member of an affiliated group as defined in section 1504(b); and 

‘‘(B) is a financial institution that—

‘‘(i) is a bank described in subsection (2) of section 5303 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (as in effect on the day before the date of the enactment of this Act), 

‘‘(ii) is a financial institution that is a member of an affiliated group, 

‘‘(iii) is a financial institution that is controlled by a financial institution that is a member of an affiliated group as defined in section 1504(b); and 

‘‘(iv) includes any financial institution that is a member of an affiliated group as defined in section 1504(b); and 

‘‘(C) INCREASED RATE FOR CERTAIN BANKS.—The term ‘applicable bank’ means any financial institution which—’’;
“(1) a bank (as defined in section 581), or
“(ii) a registered securities dealer under section 15(a) of the Securities Exchange Act of 1934.

On page 489, strike lines 3 through 19, and insert:
“(g) EXCEPTION FOR CERTAIN PAYMENTS MADE IN THE ORDINARY COURSE OF TRADE OR BUSINESS OF THIS SECTION.—(1) IN GENERAL.—Except as provided in paragraph (3), any qualified derivative payment shall not be treated as a base erosion payment.

“(2) QUALIFIED DERIVATIVE PAYMENT.—(A) IN GENERAL.—The term ‘qualified derivative payment’ means any payment made by a taxpayer pursuant to a derivative with respect to which the taxpayer—

(i) recognizes gain or loss as if such derivative were sold for its fair market value on the last business day of the taxable year (and such additional times as required by this title or the taxpayer’s method of accounting),

(ii) treats any gain or loss recognized as ordinary, and

(iii) treats the character of all items of income, deduction, gain, or loss with respect to a payment pursuant to the derivative as ordinary.

(B) REPORTING REQUIREMENT.—No payments shall be treated as qualified derivative payments under paragraph (A) for any taxable year unless the taxpayer includes in the information required to be reported under section 6038B(b)(2) with respect to such taxable year such information as is necessary to identify the payments to be so treated and such other information as the Secretary determines necessary to carry out the provisions of this subsection.

“(5) EXCEPTIONS FOR PAYMENTS OTHERWISE TREATED AS BASE EROSION PAYMENTS.—This subsection shall not apply to any qualified derivative payment made by a taxpayer pursuant to a derivative with respect to which—

(A) the payment would be treated as a base erosion payment if it were not made pursuant to a derivative, including any interest, royalty, or service payment, or

(B) in the case of a contract which has derivative and nonderivative components, the payment is properly allocable to the nonderivative components.

“(4) DERIVATIVE DEFINED.—For purposes of this subsection—

(A) IN GENERAL.—The term ‘derivative’ means any transaction, contract, or hedging arrangement (including any option, forward contract, futures contract, short position, swap, or similar contract) the value of which, or any payment or other transfer with respect thereto, 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) A price, rate, index, table, or formula.

(B) TREATMENT OF AMERICAN DEPOSITARY RECEIPTS AND SIMILAR INSTRUMENTS.—Except as otherwise provided by the Secretary, for purposes of this part, American depository receipts (and similar instruments) with respect to shares of stock in foreign corporations shall be treated as shares of stock in such foreign corporations.

“(h) 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—

(i) providing for such adjustments to the application of the exceptions as are necessary to prevent the avoidance of the purposes of this section, including through—

“(A) the use of unrelated persons, conduit transactions, or other intermediaries, or

(B) transactions or arrangements designed, in whole or in part, to—

(i) reduce the amount of payments otherwise subject to this section as payments not subject to this section, or

(ii) to substitute payments not subject to this section for payments otherwise subject to this section and

(ii) rules to prevent the avoidance of the exceptions under subsection (g)(3).

“SA 1837. Mr. INHOFE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCGOINNELL (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. 1. ONE-TIME WITHDRAWAL OF PENSION SAVINGS AT A 10-PERCENT TAX RATE.

(a) IN GENERAL.—Section 72 is amended by redesignating subsection (x) as subsection (y) and by inserting after subsection (w) the following new subsection:

“(x) SPECIAL RATE FOR DISTRIBUTIONS FROM APPLICABLE PLANS DURING 2018.—

“(1) IN GENERAL.—If a taxpayer receives 1 or more qualified distributions from 1 or more applicable retirement plans during the taxpayer’s first taxable year beginning after December 31, 2017, notwithstanding any other provision of this title—

(i) a tax computed at the rates and in the same manner as if this subsection had not been enacted on taxable income reduced by the aggregate qualified distributions of the taxpayer, plus

(ii) a tax of 10 percent of such qualified distributions (or, if less, taxable income), and

“(B) no penalty or addition to tax shall be imposed with respect to such qualified distributions.

“(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

(A) IN GENERAL.—The term ‘qualified distribution’ means any distribution received by a taxpayer from an applicable retirement plan, any applicable distribution received by a taxpayer from the plan to the extent such distribution, when added to all other applicable distributions received by the taxpayer from the plan during such taxable year, does not exceed 25 percent of the aggregate balance to the credit of the individual (whether as a participant, owner, or beneficiary) in the plan as of the close of the calendar year preceding the calendar year in which the taxable year begins.

(B) APPLICABLE DISTRIBUTION.—

(i) IN GENERAL.—The term ‘applicable distribution’ means any distribution received by a taxpayer from an applicable retirement plan which is includible in gross income of the taxpayer.

(ii) EXCEPTION FOR REQUIRED DISTRIBUTIONS.—In the case of any minimum required distribution (as defined in section 402(b)(11) from an applicable retirement plan for any taxable year and the 25 percent of such distribution described in paragraph (A) shall be reduced by the amount of such distributions.

“(C) AGGREGATION.—A taxpayer may elect to treat all applicable retirement plans as 1 plan for purposes of applying this section and may allocate qualified distributions among such plans in such manner as specified in the election.

“(3) APPLICABLE RETIREMENT PLAN.—The term ‘applicable retirement plan’ means—

(i) a defined contribution plan to which section 401(a) or 403(a) applies,

(ii) an annuity contract under section 403(b),

(iii) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A), or

(iv) an individual retirement plan.

(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. MCGOINNELL (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. 2. MAXIMUM CONTRIBUTION LIMIT TO HEALTH SAVINGS ACCOUNT INCREASED TO 150 PERCENT OF THE AMOUNT OF DEDUCTIBLE AND OUT-OF-POCKET LIMITATION.

(a) SELF-ONLY COVERAGE.—Section 223(b)(2)(A) is amended by striking “$2,350” and inserting “150 percent of the amount in effect under subsection (c)(2)(A)(i)(I)”.

(b) FAMILY COVERAGE.—Section 223(b)(2)(B) is amended by striking “$4,700” and inserting “150 percent of the amount in effect under subsection (c)(2)(A)(ii)(II)”.

(c) COST-OF-LIVING ADJUSTMENT.—Section 223(g)(1) is amended—

(1) by striking “subsections (b)(2) and” and inserting “subsections” and

(2) in subparagraph (B), by striking “determined by” and inserting “determined”.

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

“SA 1839. Mr. SASSE submitted an amendment intended to be proposed to amendment SA 1618 proposed by Mr. MCGOINNELL (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 23(c)(2) is amended by striking “fifth” and inserting “seventh”.

(b) EFFECTIVE DATE.—The amendment 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. MCGOINNELL (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. 11610. EXTENSION OF CARRYOVER PERIOD FOR ADOPTION TAX CREDIT.

(a) IN GENERAL.—Section 23(c)(2) is amended by striking “fifth” and inserting “seventh”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.
fiscal year 2018; which was ordered to lie on the table; as follows:

On page 34, line 23, strike “trust or” and insert “trust (except for calendar year 2018) or”

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, 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. BASE EROSION AND ANTI-ABUSE TAX IMPROVEMENTS.

(a) In GENERAL.—Section 59A(b), as added by section 14401 of this Act, is amended—

(1) in paragraph (1)(B), by striking clause (i) and inserting the following:

(‘‘(i) the legal credit allowed under section 38 for the taxable year which are properly allocable to the research credit determined under section 41(a);’’)

(II) the credits determined under section 45 (including the refined coal credit); and

(III) the energy credit determined under section 47 with respect to a facility or property the construction of which begins on or before January 1, 2020.’’); and

(2) in paragraph (2)(B), by inserting ‘‘other than a credit described in subclause (II) or (III) of paragraph (1)(B)(i)’’ after ‘‘allowed under this chapter’’.

(b) REVENUE DEPENDENT PROPOSAL.—Section 59A(b), as amended by section 15004, if amended, is further amended by striking paragraph (2)(B) and inserting the following:

‘‘(B) the sum of—

(‘‘(i) the credit allowed under section 38 for the taxable year which are properly allocable to the research credit determined under section 41(a);’’)

(II) the credits determined under section 45 (including the refined coal credit); and

(III) the energy credit determined under section 47(a) with respect to a facility or property the construction of which begins on or before January 1, 2020.’’.

SA 1842. Mr. RUBIO (for himself and Mr. LEE) submitted an amendment intended to be proposed 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 1, strike line 1 and all that follows through page 23, line 22, and insert the following:

TITILE 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 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(b)
(after the modifications under paragraph (5))
(i) 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)(i)(IV) for the taxable year, and
(ii) the maximum 15-percent 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)(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 for any 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.

(E) Inflation adjustments to capital gains brackets.—
(i) 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 39.6 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),

(ii) of subparagraph (B) shall be increased by—
(A) (ii) thereof.

The maximum 15-percent rate amount shall—
(I) in the case of a joint return or surviving spouse, $425,800, and
(ii) of subparagraph (B) shall be increased by—
(II) the amount in effect under subsection (f)(3) for the calendar year.

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 for any 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.

(E) Inflation adjustments to capital gains brackets.—
(i) 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 39.6 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),

(ii) of subparagraph (B) shall be increased by—
(II) the amount in effect under subsection (f)(3) for the calendar year, and

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

(C) 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:

(3) Cost-of-living adjustment.—For purposes of this subsection—
(A) In general.—The cost-of-living adjustment for any calendar year is the percentage which would be determined under this subparagraph if the CPI for calendar year 2016, multiplied by the amount determined under paragraph (2), were substituted for the CPI for calendar year 2016 in the formula for the credit amount for such calendar year.

(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 a base year after 2016.—For purposes of any provision of this title which provides for the C-CPI-U for calendar year 2016 for the CPI for calendar year 2016 and all that follows in clause (i) thereof.

(D) C-CPI-U.—Subsection (i) of section 1 is amended by striking paragraph (7), by redesignating paragraph (6) as paragraph (7), and by inserting after paragraph (5) the following new paragraph:

(6) C-CPI-U.—For purposes of this subsection—
(A) In general.—The term ‘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) for the months of August for the preceding calendar year.

(B) Determination for calendar year.—The C-CPI-U for any 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.

(C) Application to permanent tax tables.—Section 1(f)(2)(A) is amended by inserting ‘‘for calendar year 2016’’, inserting ‘‘for calendar year 1992’’, and inserting ‘‘for calendar year 1992’’.

(D) Application to other internal revenue code provisions.—Section 1(f)(3)(A)(ii) of section 42.

(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) Paragraph (1)(A)(i) and (2)(A)(i) of section 25A(h).
(C) Section 25B(b)(3)(B).

(D) Subsection (b)(2)(B)(ii) of section 32.

(E) Section 36B(1)(2)(B)(ii).

(F) Section 41(e)(5)(G)(i).

(G) Subsections (e)(3)(D)(ii) and (h)(3)(I)(ii) of section 42.

(H) Section 45R(d)(3)(B)(ii).

(I) Section 62(d)(3)(B).

(J) Section 125(1)(2)(B).

(K) Section 135(b)(2)(B)(ii).

(L) Section 137(1)(2).

(M) Section 146(d)(2)(B).

(N) Section 147(e)(2)(B).

(O) Section 179(b)(6)(A)(ii).

(P) Subsections (b)(5)(C)(I)(II) and (g)(8)(B) of section 219.

(Q) Section 220g(2).

(R) Section 221(9)(1)(B).

(S) Section 223(g)(1)(B).

(T) Section 498A(c)(3)(D)(ii).

(U) Section 77A(1)(1)(B)(vii).

(V) Section 512(4)(B).

(W) Section 513(b)(2)(C).

(X) Section 831(b)(2)(D)(ii).

(Y) Section 877(1) and (inserting ‘‘(vi)’’).

(Z) Section 2010(c)(3)(B)(ii).

(AA) Section 2032A(a)(3)(B).

(AB) Section 2506(b)(2)(B).

(CC) Section 4211(b).

(DD) Section 5000(c)(3)(D)(ii).

(EE) Section 6331(b)(4)(B).

(FF) Section 6334(c)(1)(B).

(GG) Section 6562(b)(2)(B).

(HH) Section 6652(c)(1)(A).

(JJ) Section 6656(h)(1).

(KK) Section 6699(e)(1).

(LL) Paragraph 6699(e)(1).

(MM) Section 6721(f)(1).

(NN) Section 6722(f)(1).

(OO) Section 7345(f)(2).

(PP) Section 7472(f)(2).

(QQ) Section 9831(d)(2)(D)(ii)(II).

(RR) Section 41(c)(6)(G)(ii) is amended—
(A) by striking ‘‘19(3)(B)’’ and inserting ‘‘19(3)(A)(ii)’’ and
(B) by striking ‘‘1992’’ and inserting ‘‘2016’’. 

(SS) Section 42(c)(6)(G) is amended—
(A) by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’ and
(B) by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’.

(TT) Section 135(d)(6)(A) is amended by striking ‘‘for calendar year 1992’’ and inserting ‘‘for calendar year 2016’’.

(UU) Section 135(d)(6)(A) is amended by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’.

(VV) Section 135(d)(6)(A) is amended by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’.

(XX) Section 135(d)(6)(A) is amended by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’.

(YY) Section 135(d)(6)(A) is amended by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’.

(ZZ) Section 135(d)(6)(A) is amended by striking ‘‘calendar year 1992’’ and inserting ‘‘calendar year 2016’’.
such increase shall be increased to the nearest multiple of $100 (or, if such increase is a multiple of $50, thereof.

year in which the taxable year begins, by

mined under section 1(f)(3) for the calendar year in which the taxable year begins, by

Paragraph (2) shall be increased by an amount equal to—

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

"(B) 50 percent of the W-2 wages with respect to the qualified trade or business.

(3) MODIFICATION OF 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) PHASE-IN OF LIMIT FOR CERTAIN TAXPAYERS.—

(1) IN GENERAL.—If—

"(i) the taxable income of the taxpayer for the taxable year exceeds the threshold amount plus $50,000 ($100,000 in the case of a joint return), and

"(ii) such increase 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—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 equal to—

"(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) the amount determined under paragraph (2)(A) 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,

"(B) 50 percent of the W-2 wages with respect to the qualified trade or business.

(3) MODIFICATION OF 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) PHASE-IN OF LIMIT FOR CERTAIN TAXPAYERS.—

(1) IN GENERAL.—If—

"(i) the taxable income of the taxpayer for the taxable year exceeds the threshold amount plus $50,000 ($100,000 in the case of a joint return), and

"(ii) such increase 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.
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 treated 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 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)).

"(B) EXCEPTION FOR SPECIFIED SERVICE BUSINESSES BASED ON TAXPAYER'S INCOME.—

"(i) IN GENERAL.—If, for any taxable year, the taxable income of any taxpayer is less than the threshold amount plus $50,000 ($100,000 in the case of a joint return), then—

"(ii) only the applicable percentage of qualified items of income, gain, deduction, or loss, and the W-2 wages, of the taxpayer allocable to such specified service trade or businesses shall be taken into account in computing the qualified business income and W-2 wages of the taxpayer for the taxable year for purposes of applying this section.

"(3) ADJUSTMENT.—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

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

"(e) OTHER DEFINITIONS.—For purposes of this section—

"(1) TAXABLE INCOME.—Taxable income shall be computed without regard to the deduction under this section.

"(2) THRESHOLD AMOUNT.—

"(A) IN GENERAL.—The term 'threshold amount' means $525,000 ($250,000 of such amount allocated to the partner or shareholder level, or business', means any trade or business engaged in during any taxable year beginning after 2018, the dollar amount in paragraph (1) 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.

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 RETI DISTRIBUTION.—The term 'qualified RIT distribution' means any distribution from a real estate investment trust received during any 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 DISTRIBUTION.—The term 'qualified cooperative dividend' means any patronage dividend (as defined in section 1388(c)), and any qualified written notice of allocation (as defined in section 1388(c)), and any qualified written notice of allocation

"(f) RULES FOR PURPOSES OF SUBSECTION (b)(1).—

"(1) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

"(A) IN GENERAL.—In the case of a partnership or S corporation, the term 'qualified business income' shall be computed without regard to the determination of W-2 wages described in paragraph (b)(2).

"(B) 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 clause (a), the determination of W-2 wages of such taxpayer with respect to any qualified trade or business conducted in Puerto Rico shall be made without regard to the limitations 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, qualified business income shall be determined without regard to any adjustments under sections 56 through 59.

"(h) DEDUCTION TO INCOME TAXES.—

The deduction under subsection (a) shall only be allowed for purposes of this chapter.

"(i) REGULATIONS.—The Secretary shall prescribe such regulations as are necessary to carry out the purposes of this section, including regulations—

"(A) for requiring or prohibiting the allocation of losses 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.

"(j) TERMINATION.—This section shall not apply to taxable years beginning before December 31, 2018.

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

"(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'.

(c) CONFORMING AMENDMENTS.—

"(1) Section 170(b)(2)(D) is amended by striking "and", and at the end of clause (iv), by redesignating clause (v) as clause (vi), and by redesignating 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 "and without the deduction under section 199A," before "and without the deduction under section 199."

"(4) Section 61A(a) is amended by inserting "and without the deduction under section 199A" after "and without the deduction under section 199."

"(5) Section 61A(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 sections for part VI of chapter B of chapter 1 is amended by inserting at the end the following new item:

"Sec. 199A. Qualified business income.

"(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.
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 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 shall be the partner’s or shareholder’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 499.—This subsection shall be applied after the application of section 499.

(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 63 of this title is amended by adding at the end the following new paragraph:

‘‘(7) Special rules for taxable years 2018 through 2025.—

(A) INCREASE IN STANDARD DEDUCTION.—

(i) by substituting ‘‘$18,000’’ for ‘‘$4,400’’ 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 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 2016, $18,000 and $12,000 amounts under subparagraph (A) shall each be increased by an amount equal to—

(I) such dollar amount, multiplied by

(ii) the 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)

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

(1) Limitation.—In the case of a taxable year beginning after 2016, $18,000 and $12,000 amounts under subparagraph (A) shall each be increased by an amount equal to—

(I) such dollar amount, multiplied by

(II) the 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)

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

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

(a) In general.—Section 21 of this title is amended by adding at the end the following new section:

‘‘(h) Special rules for taxable years 2018 through 2025.—

(1) Increase 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 section 21(c)(1) of this title, 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’’.

(b) Partial credit allowed for certain other dependents.—

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

(2) Exception for certain noncitizens.—

(a) Subparagraph (A) shall not apply with respect to any individual who would not be a qualifying child described in paragraph (1), and subsection (d) of section 152(b)(3) shall be applied without regard to all that follows ‘‘resident of the United States’’.

(6) Position of credit refundable.—In lieu of section 32(c) of the Internal Revenue Code of 1986, the following provisions shall apply for purposes of the credit allowable under this section:

(A) In general.—The aggregate credits allowed to a taxpayer under paragraph C shall be increased by the lesser of—

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

(ii) the amount by which the aggregate amount of credits allowed by this paragraph (d) of the following provisions

(b) Payroll taxes.—

‘‘(1) In general.—For purposes of subparagraph (A), the term ‘payroll taxes’ means, in the case of an employer with respect to the taxable year in which the taxable year begins—

‘‘(B) Payroll taxes.—

‘‘(i) Special rules for taxable years 2018 through 2025.—

(1) In general.—The term ‘payroll taxes’ means, with respect to any taxpayer for any taxable year, the amount of the taxes imposed by—

(I) section 1401 on the self-employment income for the taxable year,

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

(III) 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,

(IV) sections 3201(a) and 3211(a) on compensation received by the taxpayer during the calendar year in which the taxable year begins,

(v) section 3212(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 special 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 6413(c).

(2) Special rule.—Any amounts paid pursuant to an agreement under section 3212(i) that are entered into by American employers with respect to foreign affiliates which are equivalent to the taxes referred to in clause (I) or (III) of clause (i) shall be treated as taxes referred to in such clause.

(3) Exemption 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.

(4) 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 the qualifying 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 clause (I) or (that portion of clause (III) that relates to clause (I)) of section 205(c)(2)(B)(i) of the Social Security Act.

(5) 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) General rule.—If the aggregate amount of contributions described in clause (i) exceeds the applicable limitation under clause (i) for any taxable year described in such clause, such excess amount 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, but no such contribution shall be treated as a charitable contribution under this paragraph.

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

SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE ACCOUNTS.

(a) In general.—Subsection (c)(1)(C) of section 529A is amended to read as follows:

‘‘(C) Contributions by designated beneficiaries.—In the case of a contribution by a designated beneficiary described in paragraph (7) before January 1, 2026, the lesser of—

(i) the amount in effect under section 529(b)(1)(A) 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—

(1) compensation (as defined by section 219(f)(1)) includable in the designated beneficiary’s gross income for the preceding taxable year, or

(2) 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.”.
(7) Special rules related to contribution limitation.—For purposes of paragraph (2)(B)(ii)
(A) Designated beneficiary.—Designated beneficiary described in this paragraph is an employee (including an employee within the meaning of section 401(c)) with respect to whom—
(ii) no contribution is made for the taxable year to a defined contribution plan (within the meaning of section 414(i)) with respect to which the requirements of section 401(a) or 401(a)(9) are not satisfied;
(ii) no contribution is made for the taxable year to an annuity contract described in section 403(b), and
(ii) no contribution is made for the taxable year to a qualified governmental section 529A(b)(2)(B).''.

(2) Determination of taxable year.—For purposes of this paragraph, the taxable year, exceeds the limitation described in subparagraph (II) and inserting "and" in place of "or" and vice versa.

(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).

(b) Allowance of Savin's Credit for ABLE Contributions by Account Holder.—Section 525(d)(1) is amended by striking "and" at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting "and", and by inserting the period at the end of the following:

(D) the amount of contributions made before 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) 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. ROLLOVERS TO ABLE PROGRAMS FROM 529 PROGRAMS.

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 period, a qualified hazardous duty area shall be treated in the same manner as if it were a combat zone (as defined under section 112 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act).

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

(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

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

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

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

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

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

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

(b) Qualified Hazardous Duty Area.—For purposes of this section, the term "qualified hazardous duty area" means the Sinai Peninsula of Egypt if as of the date of enactment of this Act any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), for services performed in such location. Such term includes such location only during the period such entitlement is in effect.

(c) Applicable Period.—

(1) In General.—Except as provided in paragraph (2), the applicable period is—
(A) the portion of the first taxable year ending after June 9, 2015, which begins on such date
(B) any subsequent taxable year beginning after January 1, 2026.

(2) Withholding.—In the case of subsection (a)(5), the portion of the first taxable year ending after the date of the enactment of this Act which begins on such date, and

(B) any subsequent taxable year beginning after January 1, 2026.

(d) Effective Date.—

(1) In General.—Except as provided in paragraph (2), the applicable period is—
(A) the portion of the first taxable year ending after June 9, 2015,

(B) any subsequent taxable year beginning after January 1, 2026.

(2) Withholding.—Subsection (a)(5) shall apply to remuneration paid after the date of the enactment of this Act.

SEC. 11027. EXTENSION OF WAIVER OF LIMITATIONS WITH RESPECT TO EXCLUDABLE AMOUNTS RECEIVED BY WRONGFULLY INCAR-CERATED INDIVIDUALS.

(a) In General.—Section 304(a) 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 June 9, 2015.

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

(a) In General.—Section 529(e) is amended by adding at the end the following new paragraph:

(6) Treatment of unborn children.—

(A) In General.—Nothing shall prevent an unborn child from being treated as a designated beneficiary or an individual under this section;

(B) Unborn child.—For purposes of this paragraph—

(i) in General.—The term 'unborn child' means a child in utero;

(ii) Child in utero.—The term 'child in utero' means a member of the species homo sapiens, at any stage of development, who is carried in the womb.''

(2) Section 25B(d)(1) is amended by striking ''1-year'' and inserting ''2-year''.

(b) Effective Date.—The amendments made by this section shall apply to distributions received by an individual which may be treated as qualified Mississippi River Delta flooding distribution for any taxable year after the date on which such individual for all prior taxable years.

(c) Amount distributed may be repaid.—

(1) In General.—Any individual who receives a qualified Mississippi River Delta flooding distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan on behalf of an individual who is a beneficiary and to which a rollover contribution is made after December 31, 2017.

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

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

(a) In General.—For purposes of this section, 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 September 3, 2016, by reason of severe storms and flooding occurring in Louisiana during August 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 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.

(b) Special Rule for Treatment of Funds With Respect to Mississippi Delta Areas Damaged by 2016 Flooding.—

(1) Tax-Favored Withdrawals From Retirement Plans.—

(A) In General.—Section 72(t) of the Internal Revenue Code of 1986 shall not apply to a qualified Mississippi River Delta flooding distribution.

(B) Aggregate Dollar Limitation.—

(i) In General.—For purposes of this subsection, the aggregate amounts treated as qualified Mississippi River Delta flooding distributions for any taxable year shall not exceed the excess (if any) of

(I) $100,000, over

(II) the aggregate amounts treated as qualified Mississippi River Delta flooding distributions for any prior taxable year.

(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 plan shall not be treated as violating any requirement of this title if the plan treats such distribution as a qualified Mississippi River Delta flooding distribution, unless the aggregate amount of such distributions from all plans maintained by the employer (and any member of any controlled group which includes the employer) to such individual exceeds $100,000.

(III) Controlled Group.—For purposes of clause (ii), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(c) Amount Distributed May Be Repaid.—

(1) In General.—Any individual who receives a qualified Mississippi River Delta flooding distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such distribution to an eligible retirement plan on behalf of an individual who is a beneficiary and to which a rollover contribution is made after December 31, 2017.

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

SEC. 11030. RELIEF FOR MISSISSIPPI RIVER DELTA FLOOD DISASTER AREA.—

(a) In General.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an eligible retirement plan and the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the contribution in an eligible rollover distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(b) Treatment of Rollovers From Eligible Retirement Plans.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an eligible retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the contribution in an eligible rollover distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(c) Treatment of Rollovers From Eligible Retirement Plans.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an eligible retirement plan, then the taxpayer shall, to the extent of the amount of the contribution, be treated as having received the contribution in an eligible rollover distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.
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.

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

(I) QUALIFIED MISSISSIPPI RIVER DELTA FLOODING DISTRIBUTION.—Except as provided in subparagraph (B), any provision of this section which is made—

(1) any distribution from an eligible retirement plan which is made—

(A) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of the Internal Revenue Code of 1986.

(B) any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowable or allowable, or whether a taxpayer is entitled to a deduction, under this section.

(C) 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—

(1) by striking “$250’ for ‘the excess of gross income for any taxable year beginning after December 31, 2017, and before January 1, 2026’”.

(2) by adding at the end the following new clause:

“(iii) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, clause (i) shall be applied by substituting ‘$4,150’ for ‘$250’.”.

(D) APPLICATION TO ESTATES AND TRUSTS.—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)”.

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

SECTION 11033. 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

SECTION 11041. SUSPENSION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

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

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

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

“(c) 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—

“(A) EXEMPTION AMOUNT.—The term ‘exemption amount’ means zero.

“(B) REFERENCE.—For purposes of any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowable or allowable, or whether a taxpayer is entitled to a deduction, under this section.”.

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

“(iii) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, clause (i) shall be applied by substituting ‘$4,150’ for ‘the exemption amount under section 151(d)’.

“(ii) INFLATION ADJUSTMENT.—In the case of any calendar year beginning after 2018, the $4,150 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 ‘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.”.

INCREASE IN DEDUCTION FOR TEACHER EXPENSES.

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

“(a) the amount determined under section 165(h)(2)(A)(ii) of the Internal Revenue Code of 1986 shall be treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of the Internal Revenue Code of 1986.

(B) any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowable or allowable, or whether a taxpayer is entitled to a deduction, under this section.”.

(C) APPLICATION TO ESTATES AND TRUSTS.—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)”.

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

(1) IN GENERAL.—In the case of any qualified Mississippi River Delta flooding distribution 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 section (a)(2) 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) and (ii) any distribution from an eligible retirement plan made on or after March 1, 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 section (a)(1) and (ii) any distribution from an eligible retirement plan made on or after March 1, 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 section (a)(2) 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)(2).

(2) PROVISIONS RELATING TO PLAN AMENDMENTS.—(A) 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 treated as meeting the requirements of sections 401(k)(2)(B)(i), 403(b)(7)(A)(ii), 403(b)(11), and 457(d)(1)(A) of the Internal Revenue Code of 1986.

(B) any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowable or allowable, or whether a taxpayer is entitled to a deduction, under this section.

(2) NET DISASTER LOSS.—For purposes of this subparagraph, “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.—In the case of a taxable year beginning after December 31, 1986 which arises—

(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 attributable 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 January 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

SECTION 11051. 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.—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 as gains, losses, income, and other income of the individual.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to discharges of indebtedness made after December 31, 2017.
Section 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, 2028."
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:

“(ii) the sum of the amounts allowed as a 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, the term ‘losses’ in section 6433 of the Internal Revenue Code of 1986 (without regard to this section) as of such date.”

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

“(g) Modifications to Taxable Year.—

“(1) Modifications to Gift Tax Payable to Reflect Tax Rates.—For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under subsection (c) 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 amount of money so returned by the Secretary, and

“(ii) interest paid under subsection (c) on such amount of money, and

“(B) distributions from qualified retirement plans.

“(2) Treatment as Rollover.—The distribution and contribution were described in paragraph (1) with respect to the return of such distribution shall be treated for purposes of this title as if such distribution and contribution were described in section 402(c)(8)(B) (B) applies and property or an amount of money is returned to the individual—

“(A) the individual may contribute such property or an amount equal to the sum of—

“(i) the amount of money so returned by the Secretary, and

“(ii) interest paid under subsection (c) on such amount of money, and

“(B) distributions from qualified retirement plans.

“(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, the term ‘losses’ in section 6433 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, etc. on Retirement Plans.—

“(1) Individuals Held Harmless on Improper Levy, etc. on Retirement Plans.

“(2) 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 estates of decedents dying or gifts made after December 31, 2017.

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

(a) In General.—Section 6159 is amended by redesignating subsection (f) as subsection (e) and by inserting after 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 section.

“(2) Waiver on Failure to Pay Amounts.—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 200 percent of the applicable poverty level (as determined by the Secretary).

“(A) If the taxpayer has agreed 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, permit 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 80 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 1040.

“(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 88(b) of the Internal Revenue Code of 1986),

“(B) distributions from qualified retirement plans (as defined in section 407(c) of such
Code), annuities or other such deferred payment arrangements,
(C) interest and dividends, or
(D) capital gains and losses taken into account under
(1) demonstrating assistance to low-income taxpayers or community centers
(ii) demonstrating taxpayer outreach and educational activities relating to eligibility
(iii) demonstrating specific outreach and follow-up for one or more underserved populations.
(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, 2023.
SEC. 11075. SENSE OF THE SENATE ON IMPROVING CUSTOMER SERVICE AND PROTECTIONS FOR TAXPAYERS BY REINFORCING APPROPRIATE FUNDING LEVELS.

It is the sense of the Senate that politi-
cally motivated budget cuts—
(1) are counterproductive to deficit reduc-
dimension—
(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 (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 grants demonstration program established under title I 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 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 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 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 is not 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 such program to address the deficiencies identified following the field site visit.

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

"(i) demonstrating assistance to low-income taxpayers
(ii) demonstrating taxpayer outreach and educational activities relating to eligibility
(iii) demonstrating specific outreach and focus on one or more underserved populations.

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

"(E) Aggregate limitation.—Unless other-
wise provided in this section, 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.

"(F) Use of funds.—

"(i) In general.—Qualified return prepara-
tion programs receiving a grant under this section may use the grant for—

"(A) ordinary and necessary costs associated with program operation in accordance with Cost Principles Circulars as set forth by the Office of Management and Budget, includ-
ing—

"(I) for wages or salaries of persons coordi-
nating the activities of the program,

"(II) to develop training materials, conduct training, and perform quality reviews of the returns for which assistance has been pro-
vided under the program, and

"(III) for equipment purchases and vehicle-
related expenses associated with remote or rural tax preparation services,

"(ii) to offset additional activities described in subsection (a)(2) and (c)(ii), and

"(c) Promotion and Referral.—

"(1) Promotion.—The Secretary shall prom-
"(1) The Secretary shall refer taxpayers to qualified return preparation programs re-

"(2) Internal Revenue Service Referral.—The Secretary shall refer taxpayers to qualified return preparation programs re-

"(3) VITA Grantor 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-

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

"(A) which provides assistance to individ-

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

"(C) in which all of the volunteers who as-

"(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 described in subparagraph (B))

"(ii) in compliance with Federal tax filing and payment requirements,

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

"(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 section 102(c)(1)(C) thereof) of the Higher Education Act of 1965 (25 U.S.C. 1185(a)), any institution including any tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 1403(c)), tribal subsidiary, subdivision, or other wholly owned tribal entity, or

"(iv) a State, local, regional, or national coalition (with one lead organization which meets the requirements of subparagraphs (I), (II), or (III) acting as the lead organization).

"(ii) Alternative Eligible Organization.—If no eligible organization described in clause (i) is available to assist the target-

"(iv) a Cooperative Extension Service of-

"(3) Low-Income Taxpayers.—The term 'low-income taxpayer' means a taxpayer who has income in the taxable year which does not exceed an amount equal to the com-

"(I) an institution of higher education

"(I) a State government agency,

"(II) a local government agency, includ-

"(a) a county or municipal government agency,

"(bb) an Indian tribe, as defined in section 4(13) of the Native American Housing Assistance

"(I) a Federal agency (as defined by section 2001(a)(7) of the Housing and Community

"(I) an institution of higher education

"(I) a State government agency,
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.

(e) In addition to the services described in subsection (b), and in the same manner, the IRS 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 services 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 returns.

(f) Nothing in this section is intended to impact the services of tax preparers provided under Taxpayer Assistance Centers, 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:

‘‘(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 the case of any false or fraudulent claims that meets the requirements described in section 1909(b) of the Social Security Act (42 U.S.C. 1396n(b)), or

(III) section 25 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 subsection 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 and

‘‘(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) Dynamic Threshold.—Section 7623(b)(5)(B) is amended by striking ‘‘tax, penalties, interest, additions to tax, and additional amounts’’ and inserting ‘‘proceeds’’.

(d) Amendments.—Section 56(c)(1) is amended by this section shall apply to information provided before, on, or after the date of the enactment of this Act with respect to which Section 56(a) is in effect for an award not been made before such date of enactment.

PART VI—INDIVIDUAL MANDATE

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

(a) In General.—Section 5000A(c) is amended—

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

(2) in paragraph (3)—

(A) by striking ‘‘8660’’ in subparagraph (A) and inserting ‘‘59F’’, 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 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:

‘‘(B) Corporation.—In the case of a corporation, this subsection shall be applied by treating the corporation as having a tentative minimum tax of zero.’’.

(2) 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 a separate return, 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 sentence, the marital status shall be determined under section 7703(b).

‘‘(B) Section 59(a) is amended—

(1) by striking ‘‘subparagraph (A) (i) or (B) (i) of section 55(b)(1) (whichever applies) in lieu of the highest rate of tax specified in section 1 or 11 (whichever applies)’’ in paragraph (1)(C) and inserting ‘‘section 55(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 but not inserting means as the amount determined under the first sentence of section 55(b)(1)’’.

‘‘(C) Section 897(a)(2)(A) is amended by striking ‘‘(b)(5)(b)(1)A’’ and inserting ‘‘section 55(b)(1)’’.

‘‘(D) Section 911(f) is amended—

‘‘(1) in paragraph (1)(B)—

(I) by striking ‘‘section 55(b)(1)(A)(ii)’’ and inserting ‘‘section 55(b)(1)(B)’’; and

(II) by striking ‘‘section 55(b)(1)(A)(i)’’ and inserting ‘‘section 55(b)(1)(A)’’;

and

(ii) in paragraph (2)(B), by striking ‘‘section 55(b)(1)(A)(ii)’’ each place it appears and inserting ‘‘section 55(b)(1)(B)’’.

(c) Effective Date.—The amendment made by striking ‘‘, the section 936 credit allowable under section 27(b), and the Puerto Rico economic activity credit under section 36A.’’.

(4) Section 55(c) is amended—

(A) by striking paragraph (2) and redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively,

(B) by striking subparagraph (2)(A) so redesignated, by inserting ‘‘and’’ at the end of subparagraph (B), by striking ‘‘, and’’ at the end of subparagraph (C) and inserting a period, and by striking subparagraph (D), and

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

(i) by striking ‘‘(b)(1)(A)’’ in subparagraph (B) and inserting ‘‘(b)(1)(A)’’, and

(ii) by striking paragraph (3) in subparagraph (B)(iii) and inserting paragraph (2)’’.

(5) Section 55 is amended by striking subsection (e)(1)

(6)(A) Section 56 is amended by striking subsections (c) and (g).

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

(C) Section 848 is amended by striking subsection (1).

(7) Section 58(a) is amended by striking paragraph (3) and redesignating paragraph (4) as paragraph (3).

(8) Section 59 is amended by striking subsections (b) and (1).

(9) Section 11(d) is amended by striking ‘‘the taxes imposed by subsection (a) and section 55’’ and inserting ‘‘the tax imposed by subsection (a)’’.

(10) Section 12 is amended by striking paragraph (7).

(11) Section 168(c) is amended by striking paragraph (4).

(12) Section 882(a)(1) is amended by striking ‘‘, 55.’’.

(13) Section 962(a)(1) is amended by striking ‘‘sections 11 and 55’’ and inserting ‘‘section 11’’.

(14) Section 156(a) is amended—

(A) by inserting ‘‘and’’ at the end of paragraph (1), by striking ‘‘, and’’ at the end of paragraph (2) and inserting a period, and by striking paragraph (3), and

(B) by striking the last sentence.

(15) Section 6055(b)(1)(A) is amended by striking ‘‘and alternative minimum taxable income’’ each place it appears in subparagraphs (A) and (B)(1).

(b) Section 6055(b)(1)(A) is amended by inserting ‘‘plus’’ at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(c) Effective Date.—The amendments made by this section shall apply to taxable years 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 flush sentence:

‘‘No tax shall be imposed by this section for any taxable year beginning after December 31, 2017, and before January 1, 2026, and the tentative minimum tax for any such taxable year shall be zero for purposes of this title.’’.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2017.
(a) CREDITS TREATED AS REFUNDABLE.—Section 1561 is amended by striking 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 in 2018, 2019, 2020, or 2021, the limitation under subsection (c) shall be increased by the AMT refundable credit amount for such year,

"(2) AMT REFUNDABLE CREDIT AMOUNT.—For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 50 percent of the AMT credit amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined without paragraph (2) as the number of days in such taxable year bears to 365.

(b) TREATMENT OF REFERENCES.—Section 53(d) 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 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 AMT credit amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined without paragraph (2) as the number of days in such taxable year bears to 365.

(c) CONFORMING AMENDMENT.—Section 1374(b) is amended by inserting the following words at the end of the section:—

"section 11(b)".

Prereading the table of sections for such part).

EARNINGS CREDIT IN THE CASE OF certain controlled corporations, see section 1561.

(4) EFFECTIVE DATE.—

(2) CERTAIN SHORT TAXABLE YEARS.—If a corporation has a short taxable year which does not include a December 31, it shall be treated as a reference to such section as in effect before the amendments made by Tax Cuts and Jobs Act.

(3) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.
of the period in question, by

erty reverse, the amount of the adjustment

pro-

to the reserve for deferred taxes. Under such

regulated books of account which gave rise

serve for deferred taxes is reduced over the

method under which the excess in the re-

date of the enactment of this Act, the

authority of that jurisdiction.

average life or composite rate method, and

er records did not contain the vintage account

this Act—

year that includes the date of enactment of

ratemaking purposes and reflecting oper-

national average life or composite rate method

public utility property included in the plant

native method'' is the method in which the

section—

(A) the taxpayer was required by a regula-

Agency to compute depreciation for public

utility property on the basis of an aver-

age life or composite rate method, and

(B) the taxpayer's books and underlying

records did not contain the vintage account
data necessary to apply the average rate as-

sumption method,

the taxpayer will be treated as using a nor-

malization method of accounting if, with re-

spect to the return for the taxable year, the

alternative method for public utility property

that is subject to the regulatory authority

of that jurisdiction.

(3) DEFINITIONS.—For purposes of this sub-

section—

(A) EXCESS TAX RESERVE.—The term "ex-

cess tax reserve" means the excess of—

(i) the reserve for deferred taxes (as de-

scribed in section 168(i)(9)(A)(i) of the Inter-

nal Revenue Code of 1986) as determined

under the Internal Revenue Code of 1986 as

in effect on the day before the date of the en-

actment of this Act, over

(ii) the amount which would be the balance

in such reserve if the amount of such reserve

were determined by assuming that the cor-

porate rate reductions provided in this Act

were in effect for all prior periods.

(B) AVERAGE RATIO ASSUMPTION METHOD.—

The average rate assumption method is the

method under which the excess in the re-

serve for deferred taxes is reduced over the remain-

ing regulatory life of the property by reflect-

ing operating results in its regulated books of ac-

count, reduces the excess tax reserve more

rapidly or to a greater extent than such re-

serve would be reduced under the average rate

assumption method.

(2) ALTERNATIVE METHOD FOR CERTAIN TAX-

PAYERS.—If, as of the first day of the taxable

year that includes the date of enactment of

this Act—

(1) IN GENERAL.—A normalization method

of accounting shall not be treated as being used

under which the taxpayer's tax for the prop-

erty being written off under this section will

reflect the true economic effects of the tax-

able event (as defined in section 168(i)(9)(A)

of the Internal Revenue Code of 1986) that

produces the loss, gain, or other decrease in

the basis of the property.

(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 sec-

tion, a section or other provision, the refer-

ence shall be considered to be made to a sec-

tion or other provision of the Internal Revenue


Title I—Sec. 11009. 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, 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) Taxation for years beginning after December 31, 2017, and before January 1, 2026—

(II) 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>If taxable income is:</th>
<th>The tax is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over $5,000 but not over $10,000</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $10,000 but not over $15,000</td>
<td>15% of taxable income</td>
</tr>
<tr>
<td>Over $15,000 but not over $20,000</td>
<td>25% of taxable income</td>
</tr>
<tr>
<td>Over $20,000 but not over $25,000</td>
<td>30% of taxable income</td>
</tr>
<tr>
<td>Over $25,000 but not over $50,000</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $50,000 but not over $100,000</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $100,000 but not over $200,000</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $200,000 but not over $400,000</td>
<td>38.5% of taxable income</td>
</tr>
<tr>
<td>Over $400,000 but not over $1,000,000</td>
<td>39.6% of taxable income</td>
</tr>
<tr>
<td>Over $1,000,000 but not over $2,000,000</td>
<td>39.6% of taxable income</td>
</tr>
<tr>
<td>Over $2,000,000 but not over $5,000,000</td>
<td>38.8% of taxable income</td>
</tr>
<tr>
<td>Over $5,000,000 but not over $10,000,000</td>
<td>37% of taxable income</td>
</tr>
<tr>
<td>Over $10,000,000 but not over $50,000,000</td>
<td>37% of taxable income</td>
</tr>
<tr>
<td>Over $50,000,000 but not over $100,000,000</td>
<td>35% of taxable income</td>
</tr>
<tr>
<td>Over $100,000,000 but not over $1,000,000,000</td>
<td>33% of taxable income</td>
</tr>
<tr>
<td>Over $1,000,000,000 but not over $10,000,000,000</td>
<td>33% of taxable income</td>
</tr>
<tr>
<td>Over $10,000,000,000 but not over $100,000,000,000</td>
<td>30% of taxable income</td>
</tr>
<tr>
<td>Over $100,000,000,000 but not over $1,000,000,000,000</td>
<td>25% of taxable income</td>
</tr>
<tr>
<td>Over $1,000,000,000,000 but not over $10,000,000,000,000</td>
<td>25% of taxable income</td>
</tr>
<tr>
<td>Over $10,000,000,000,000 but not over $100,000,000,000,000</td>
<td>20% of taxable income</td>
</tr>
<tr>
<td>Over $100,000,000,000,000 but not over $1,000,000,000,000,000</td>
<td>20% of taxable income</td>
</tr>
<tr>
<td>Over $1,000,000,000,000,000 but not over $10,000,000,000,000,000</td>
<td>15% of taxable income</td>
</tr>
<tr>
<td>Over $10,000,000,000,000,000 but not over $100,000,000,000,000,000</td>
<td>15% of taxable income</td>
</tr>
<tr>
<td>Over $100,000,000,000,000,000 but not over $10,000,000,000,000,000,000</td>
<td>10% of taxable income</td>
</tr>
</tbody>
</table>

(b) Subsequent Years.—For taxable years beginning after December 31, 2017, and before January 1, 2026—

(1) The tax rates provided in paragraph (1) shall be applied as provided in paragraph (2) through (7).
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) MAXIMUM 15-PERCENT BRACKET. The maximum taxable income which is taxed at a rate below 25 percent shall not be more than the earned taxable income of such child plus

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

(2) the amount in effect under paragraph (5) thereof.

(ii) 24-PERCENT BRACKET. The maximum taxable income which is taxed at a rate below 24 percent shall not be more than the sum of—

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

(II) the minimum taxable income for the 24-percent bracket in the table under paragraph (2)(E) as adjusted under paragraph (3) for the taxable year.

(C) COORDINATION WITH CAPITAL GAINS RATES. Subsection (b) of section 1(f)(2)(B) is amended by inserting at the end of such subsection—

(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) thereof.

(D) EARNED TAXABLE INCOME. For purposes of applying section 1(h) with the modifications for any calendar year in which the taxable year begins, determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(i),—

(6) SECTION IS NOT TO APPLY.—Section 15 shall not apply to any change in a rate of tax by reason of this subsection.

(b) DUPLICATE TRANSMISSION REQUIREMENT. The provisions of section 1(f)(3)(A)(ii) are amended by inserting after ‘with respect to the household’ the following:—

(6) FAILURE TO BE DISSERTIVE IN DETERMINING ELIGIBILITY FOR CERTAIN TAX BENEFITS. Any person who is a tax return preparer with regard 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—

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

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

(c) 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 inserting after paragraph (2) the following new paragraph:

(3) COST-OF-LIVING ADJUSTMENT.—For purposes of this subsection—

(A) IN GENERAL. The term ‘C-CPI-U’ for any calendar year is the amount determined by substituting ‘1992’ for ‘1991’ in clause (i)(II) and (g)(8)(B) of section 219.

(b) A PPLICATION TO OTHER INTERNAL REV- ENUE CODE OF 1986 PROVISIONS. (1) The following sections are each amended by striking ‘calendar year 1992’ in subparagraph (B) and inserting for ‘calendar year 2016’ in subparagraph (A)(i):—

(A) Section 23(b)(2).

(B) Paragraphs (1)(A)(i) and (2)(A)(i) of section 25A(h).

(C) Section 25A(b)(3).

(D) Subsection (b)(2)(B)(i)(I), and clauses (i) and (ii) of subsection (j)(1)(B), of section 32.

(E) Section 36B(1)(C)(ii).

(F) Section 41(e)(5)(C)(i).

(G) Subsections (e)(3)(D)(ii) and (h)(3)(H)(ii) of section 42.

(H) Section 45R(3)(D)(ii).

(I) Section 52(e)(1)(B).

(J) Section 125(b)(2)(B).

(K) Section 133(b)(2)(B)(i).

(L) Section 137(f)(2).

(M) Section 146(d)(2).

(N) Section 174(c)(2)(H)(i).

(O) Section 178(b)(6)(A)(i).

(P) Subsections (b)(5)(C)(i)(II) and (g)(8)(B) of section 219.

(Q) Section 229(g)(2).

(R) Section 221(g)(1)(B).

(S) Section 223(g)(1)(B).

(T) Section 408A(2)(D)(ii).

(U) Section 430(c)(7)(D)(vii)(II).

(V) Section 512(d)(2)(B).

(W) Section 512(b)(2)(D).

(X) Section 831(b)(2)(D)(i).

(Y) Section 877A(a)(8)(B)(i)(I).

(Z) Section 2010(c)(3)(B)(ii).

(A) Section 2022(b)(2).

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

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

(DD) Section 5800(c)(3)(D)(ii).

(EE) Section 6233(b)(1)(B).

(FF) Section 6334(g)(1)(B).

(GG) Section 6601(j)(3)(B).

(HH) Section 6651(1)(B).

(I) Section 6652(c)(8)(A).

(JJ) Section 6665(h)(1).

(KK) Section 6698(e)(1).

(LL) Section 6699(e)(1).

(MM) Section 6721(b)(1).

(NN) Section 6722(c)(1).

( OO) Section 7345(f)(2).

(PP) Section 7430(e)(1).

(QQ) Section 9651(a)(4)(D)(ii).

( RR) Section 41(g)(1)(C)(ii) is amended—

(A) by striking ‘‘(I)(3)(B)’’ and inserting ‘‘(1)(3)(A)(ii)’’, and

(B) by striking ‘‘1992’’ and inserting ‘‘2016’’.

( SS) Section 41(b)(6)(G) is amended—

(A) by striking ‘‘for calendar year 1987’’ in clause (i)(I), and

(B) by striking ‘‘1992’’ and inserting ‘‘2016’’.

( TT) Section 41(b)(6)(G) is amended—

(A) by striking ‘‘for calendar year 1987’’ in clause (i)(I), and

(B) by striking ‘‘for calendar year 1992’’ in clause (i)(II), and

(C) by striking ‘‘1992’’ and inserting ‘‘2016’’ in subparagraph (A)(ii) thereof; and

(D) by striking ‘‘for calendar year 1987’’ and all that follows in clause (i)(II) and inserting ‘‘for calendar year 2016’’ in subparagraph (A)(ii) thereof.
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 1986, 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).


(5) Section 482(o)(5) is amended by striking ‘‘adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991’’ and inserting by increasing any such amount under the 1991 adjustment 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.’’

(6) So much of clause (ii) of section 231(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 increase in such cost determined under—

‘‘(I) the medical care component of the C-CPI-U (as defined in section 1(f)(6)) for August of such calendar year;

‘‘(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 877a(k) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(i)’’. (8) Section 1274A(d)(1)(B)(ii) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(ii)’’. (9) 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 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 411(h)(2)(C)(i)(II) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(i)’’. (11) Section 480(f)(3)(C)(v)(II) is amended by striking ‘‘for ‘1992’ in subparagraph (B)’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(i)’’. (12) Section 6039D is amended by striking ‘‘subparagraph (B) thereof shall be applied by substituting ‘‘1995’’ for ‘‘1992’’ and inserting ‘‘for ‘2016’ in subparagraph (A)(i)’’. (13) Section 7872g(ii) 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 $50).

(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.—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—

‘‘(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 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 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 such trade or business.

‘‘(3) Modifications to the WAGE LIMIT BASED ON TAXABLE INCOME.—

‘‘(a) Exception from wage limit.—In the case of a 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) Use of limit for certain taxpayers.—

‘‘(i) In general.—If—

‘‘(I) the taxable income of a taxpayer for any taxable year does not exceed the threshold amount, and

‘‘(II) the threshold amount determined under paragraph (2)(B) (determined without regard to this subparagraph) with respect to any qualified trade or business carried on by the taxpayer, plus

‘‘(B) any net capital gain (as defined in section 1(h)) 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—

‘‘(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).

‘‘(ii) Amount of reduction.—For purposes of clause (i), the excess amount is the excess of—

‘‘(I) the amount determined under paragraph (2)(A) (determined without regard to the threshold amount), or

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

‘‘(3) 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 during which such taxable year.

‘‘(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)(1).

‘‘(C) Limitation on 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).

‘‘(D) Limitation on 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).

‘‘(E) Limitation on 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).

‘‘(F) Limitation on 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).

‘‘(2) 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) Qualified items of income, gain, deduction, and loss.—For purposes of this subsection—

‘‘(A) In general.—The term ‘qualified item 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 any trade or business within the United States (within the meaning of section 864(c), determined by substituting ‘qualified trade or business’ (within the meaning of section 864(c) for ‘nonresident alien individual or 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:—

‘‘(1) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss.

‘‘(2) Any dividend, dividend equivalent to a dividend, or payment in lieu of dividends described in section 963(c)(1)(G).
section 707(c) paid to a partner for services of the taxpayer for services rendered with reference to 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) any guaranteed payment described in section 707(c) 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.

(d) QUALIFIED TRADE OR BUSINESS.—For purposes of this section—

(1) 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 1292(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)).

(3) EXCEPTION FOR SPECIFIED SERVICE BUSINESSES.—

(A) In general.—In the case of a specified service trade or business, the term ‘qualified business income’ shall not apply to taxable years beginning after December 31, 2025.

(b) ACCURATE CASUALTY OR THEFT LOSSES.—

(i) In general.—If any qualified trade or business of the taxpayer with qualified business income from sources within the commonwealth of Puerto Rico, if all such income is taxable under section 933(a)(1) for such taxable year, $50,000 ($100,000 in the case of a joint return), then—

(ii) the exception under paragraph (1) shall not apply to any other limitation on excess farm losses of certain taxpayers.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.
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 section, a taxable year beginning after December 31, 2017, an individual is treated as a person engaged in a trade or business if the aggregate deductions allocable to such trade or business exceed $1,000.

(4) DEDUCTION LIMITATION.—(a) IN GENERAL.—The term 'excess business loss' means the excess (if any) of—

(i) the aggregate deductions allocable to such trade or business 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).

(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

(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.

(c) AUTOMATIC ADJUSTMENT.—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) DETERMINATION OF TRADE OR BUSINESS.—For purposes of this section, a trade or business described in section 162 may be treated as a trade or business of such taxpayer (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)) if the aggregate deductions allocable to such trade or business (determined without regard to whether or not such deductions are disallowed for such taxable year under paragraph (1)) are attributable to such trades or businesses.

(6) DEDUCTION OF EXCESS BUSINESS LOSS.—(a) IN GENERAL.—A deduction attributable to such a trade or business is allowed to such taxpayer who were engaged in a trade or business in such taxable year to the extent that such deduction does not exceed the excess business loss determined under subsection (a).

(b) SPECIAL RULES FOR TAXABLE YEARS 2018 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).

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

(III) 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.

(7) DEFINITION OF QUALIFYING CHILD.—Paragraph (6)(B) 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) APPLICATION OF SUBSECTION IN CASE OF PARTNERSHIPS AND S CORPORATIONS.—In the case of a partnership or S corporation, this section shall be applied—

(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 attributable to such trades or businesses of such taxpayer is treated as attributable to such trade or business of such partnership or S corporation.

(d) APPLICATION WITH SECTION 63.—This subsection shall be applied after the application of section 469.

(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. 11023. INCREASE IN STANDARD DEDUCTION. (a) IN GENERAL.—Section 63(c) of title 26 is amended by adding at the end the following new paragraph:

(7) DEDUCTION FOR TAXPAYER YEARS 2018 THROUGH 2025.—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 '$18,000' for '$4,400' 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 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 2018, the amount under subparagraph (A) shall each 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 the Secretary by December 1, 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 INDIVIDUALS WITH DISABILITIES.—

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

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

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

(2) the amount in effect under section 529(c) for the calendar year in which the taxable year begins,

(2) ELIGIBLE DESIGNATED BENEFICIARY.—Section 529A(b) is amended by adding at the end the following:

(3) RULES RELATED TO CONTRIBUTION LIMIT.—For purposes of paragraph (2)(B)(i) —

(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 whom—

(i) no contribution is made for the taxable year to an annuity contract described in section 403(b), and

(ii) no contribution is made for the taxable year to an annuity contract described in section 403(b).

(B) POVERTY LINE.—The term 'poverty line' means the amount determined by the Assistant Secretary for Community Development Block Grant Act (42 U.S.C. 9902).
(b) ALLOWANCE OF SAVINGS CREDIT FOR ABLE CONTRIBUTIONS BY ACCOUNT HOLDER.—Section 25B(d)(1) is amended by striking "and" at the end of subparagraph (B)(ii), by striking the period at the end of subparagraph (C) and inserting "", and", and by inserting at the end the following:

"(D) Contributions made before 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) 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. ROLLOVERS TO ABLE PROGRAMS FROM 529 PROGRAMS.

(a) In General.—Clause (i) of section 529(c)(3)(C) is amended by striking "or" at the end of subclause (I), by striking the period at the end of subclause (II) and inserting "and", and by inserting at the end the following:

"(III) before January 1, 2026, to an ABLE account (as defined in section 529A(e)(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 to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B)."

(b) Effective Date.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

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 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 22(a)(3) (relating to special rules where deceased spouse was in missing status).

(2) Section 112 (relating to the exclusion of certain combat pay of members of the Armed Forces).

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

(4) Section 2201 (relating to the Armed Forces in a combat zone or by reason of a combat-zone-incurred wound, etc.).

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

(6) Subsection (d) (relating to the taxation of phone service originating from a combat zone from members of the Armed Forces).

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

(8) Section 7508 (relating to time for performance of certain functions postponed by reason of service in combat zone).

(b) QUALIFIED HAZARDOUS DUTY AREA.—For purposes of this section, the term "qualified hazardous duty area" means the Sinai Peninsula of Egypt, as of the date of the enactment of this section any member of the Armed Forces of the United States is entitled to special pay under section 310 of title 37, United States Code (relating to special pay; duty subject to hostile fire or imminent danger), as determined in section 1001(b) of such title.

(i) In General.—For purposes of this section, the aggregate amount of distributions received by an individual which may be treated as qualified Mississippi River Delta flooding distribution shall not exceed the excess (if any) of—

(I) $100,000, over

(II) the aggregate amounts treated as qualified Mississippi River Delta flooding 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 distribution in an aggregate amount not to exceed the excess (if any) of—

(A) the aggregate amount of distributions described in clause (i) which may be treated as qualified Mississippi River Delta flooding distributions, and

(B) the aggregate amount of distributions from all plans maintained by the employer (and any member of any controlled group which includes such employer) to such individual exceeds $100,000.

(iii) CONTROLLED GROUP.—For purposes of clause (ii), the term "controlled group" means a group treated as an employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(D) AMOUNT DISTRIBUTED MAY BE REPAYED.—(1) In General.—Any individual who receives a qualified Mississippi River Delta flooding distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more contributions in an aggregate amount not to exceed the amount of such contribution in an eligible retirement plan of which such individual is a beneficiary and to which a rollover contribution of such distribution could be made under section 402(c)(5)(B)(iii), 408(d)(3), or 457(e)(16) of the Internal Revenue Code of 1986, as the case may be.

(ii) TREATMENT OF REPAYMENTS FROM DISTRIBUTIONS FROM ELIGIBLE RETIREMENT PLANS OTHER THAN IRAS.—For purposes of this title, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an eligible retirement plan other than an individual retirement plan, then the taxpayer shall be treated as having received the qualified Mississippi River Delta flooding distribution in an eligible rollover distribution (as defined in section 402(c)(4) of the Internal Revenue Code of 1986) and as having transferred the amount to the eligible retirement plan in a direct trustee to trustee transfer within 60 days of the distribution.

(iii) TREATMENT OF REPAYMENTS FOR DISTRIBUTIONS FROM IRAS.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to clause (i) with respect to a qualified Mississippi River Delta flooding distribution from an individual retirement plan (as defined in section 7701(a)(37) of the Internal Revenue Code of 1986), then, to the extent of the amount of the contribution, the qualified Mississippi River Delta flooding distribution shall be treated as a distribution described in section 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.

(iv) DEFINITIONS.—For purposes of this paragraph—

(A) QUALIFIED MISSISSIPPI RIVER DELTA FLOODING DISTRIBUTION.—Except as provided in subparagraph (B), the term "qualified Mississippi River Delta flooding distribution" means—

(I) any distribution from an eligible retirement plan made 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 disaster area described in subsection (a)(1) and who has sustained an economic loss by reason of severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1), or

(II) any distribution from an eligible retirement plan made on or after August 11, 2016, and before January 1, 2018, to an individual whose principal place of abode on March 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 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 “$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 subsection, 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) 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

(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 attributable to the severe storms and flooding giving rise to the Presidential declaration described in subsection (a)(1).

(B) Applications to estates and trusts.—Section 602(a)(2) is amended by striking “$250” and inserting “$500” in the case of taxable years beginning after December 31, 2017, and before January 1, 2026.

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

SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL EXEMPTIONS.

(1) In general.—Subsection (d) of section 151 is amended—

(A) by striking “In the case of” in paragraph (4) and inserting “Except as provided in paragraph (5), in the case” of, and

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

“(5) 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—

“(A) Exemption amount.—The term ‘exemption amount’ means zero.

“(B) Reference.—For purposes of any other provision of this title, the reduction of the exemption amount to zero under subparagraph (A) shall not be taken into account in determining whether a deduction is allowable, when a taxpayer is entitled to a deduction, under this section.”

(c) Application to estates and trusts.—Section 602(b)(2)(C) is amended by adding at the end the following new clause:

“(III) Years when personal exemption amount is zero.—

“(1) In general.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, clause (i) shall be applied by substituting “$1,150” for the exemption amount under section 151(d).

“(II) Inflation adjustment.—In the case of any calendar year beginning after 2018, the $1,150 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 which precedes the calendar year in which the taxable year begins, or

“(cc) the lesser of—

“(I) the amount determined under such subparagraph for the taxable year which precedes the calendar year in which the taxable year begins, or

“(II) the amount determined under such subparagraph for the taxable year which precedes the calendar year beginning after 2018, which 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 which precedes the calendar year in which the taxable year begins, or

“(cc) the lesser of—

“(I) the amount determined under such subparagraph for the taxable year which precedes the calendar year in which the taxable year begins, or

“(II) the amount determined under such subparagraph for the taxable year which precedes the calendar year beginning after 2018, adjusted by the applicable percentage determined under section 1(f)(3) for the calendar year which precedes the calendar year in which the taxable year begins.”

(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 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 $14,515 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 2018, the $14,515 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)(3) for the calendar year in which the calendar year begins, determined by substituting ‘2017’ for ‘2016’ in subparagraph (A)(ii) thereof.

If any amount determined under the preceding paragraph is a multiple of $100, such increase shall be rounded to the nearest lower multiple of $100.

(D) VERIFIED STATEMENT.—Unless the taxpayer forwards to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (B) shall not be applied as if the taxpayer were a married individual filing a separate return with no dependents.

(e) SEC. 6011. MAGNETIC GUIDANCE TO MAKE RETURNS OF INCOME.—Section 6012 is amended by adding at the end the following new subsection:

"(1) SPECIAL RULE FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of a taxable year beginning after December 31, 2017, 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 be required—

(i) 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

(ii) an individual entitled to make a joint return.

"(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) who 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) shall be the sum of the amount determined under clause (i) plus the amount of any additional standard deduction (within the meaning of section 63(c)(3)) in the case of an individual entitled to such deduction by reason of being a member of the Armed Forces of the United States (relating to taxable years ending after December 31, 2017, and before January 1, 2026), and by the amount of any 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 paragraph:

"(6) 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 212, 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:

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

"(D) neither such individual nor such individual’s spouse is a member of the Armed Forces of the United States on active duty who moves pursuant to a Federally mandated temporary change of station, or

"(E) neither such individual nor such individual’s spouse is a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and is incident to a permanent change of station, or

"(F) the individual is an individual entitled to make a joint return."

(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 PERSONAL CASUALTY LOSSES.

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

"(5) LIMITATION FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of any loss of an individual described in section 164(c)(3) which (but for this paragraph) would be deductible in a taxable year beginning before January 1, 2018, or after December 31, 2025, before ‘home equity indebtedness’.

(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 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)(ii)(I), and (c)(1)(A)(ii) and paragraphs (b), (c)(1)(A)(i), and (b)(5)(C)(ii)(II), and

"(B) ‘5 years’ shall be substituted for ‘2 years’ each place it appears in subsections (a), (b)(5)(C)(ii)(I), and (c)(1)(A)(ii).

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

"(2) EXCLUSION 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 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:

"(8) SUSPENSION OF QUALIFIED BICYCLE COMMUTING REIMBURSEMENT.—Para-

graph (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 REIM-

BURSEMENT.

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

"(1) EFFECTIVE DATE.—The term ‘"MOVING EXPENSE REIMBURSEMENT"’ shall be defined to mean the term ‘"MOVING EXPENSE REIMBURSEMENT"’ as defined in regulations issued before January 1, 2017 and thereafter before the sale or exchange on which a written binding contract was 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, and before January 1, 2026.

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 paragraph:

"(1) EXCEPTION FOR TAXABLE YEARS 2018 THROUGH 2025.—In the case of an individual to whom subsection (a) applies, this section shall not apply to any taxable year beginning after December 31, 2017, and before January 1, 2026."
‘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 (A) shall be applied by substituting $10,000,000 for $5,000,000.”

(b) CONFORMING AMENDMENT.—Subsection (g) of section 2031 is amended to read as follows:

“(g) MODIFICATIONS TO TAX PAYABLE.—

“(1) MODIFICATIONS TO GIFT TAX PAYABLE TO REFLECT DIFFERENT TAX RATES.—For purposes of subparagraphs (b)(2)(B) and (C) with respect to 1 or more gifts, the rates of tax under subsection (c) in effect at the dece- dent’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—

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

“(ll) the sum of other 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 such 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 6343 is amended by striking “9 months” and inserting “2 years”.

(b) PERIOD OF LIMITATION ON SUITS.—Subsection (c) of section 6322 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 the enactment of this Act and ending before January 1, 2026.

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:

“(i) INDIVIDUALS HELD HARMLESS ON IMPROPER LEVY, ETC., ON RETIREMENT PLAN.—

“(1) IN GENERAL.—If the Secretary deter- mines that a rollover contribution of a distribution from an eligible retirement plan (as defined in section 401(k)(12)) has been levied upon in error, such contribution shall be treated as a contribution described in subparagraph (A) of such section.

“(2) MODIFICATIONS TO ESTATE TAX PAYABLE.—The distribution and contribution were described in section 401(k)(12), 402A(c)(1), 403(a)(4), 403(b)(8), 408(d)(3), 408A(d)(3), or 457(c)(16), whichever is applicable; except that—

“(A) the contribution shall be treated as having been made for the taxable year in which the distribution on account of the levy occurred, and the interest paid under subsection (c) shall be treated as being in a similar manner;

“(B) the levy shall be treated as being in a similar manner.

“(3) REFUND, ETC., OF INCOME TAX ON LEVY.—

“(A) IN GENERAL.—If any amount is includ- ible in gross income for a taxable year by reason of a distribution on account of a levy referred to in paragraph (1) and any portion of such amount attributable to a rollover contribution under paragraph (2), any tax im- posed by chapter 1 on such portion shall not be assessed, and if assessed shall be abated, and if collected shall be credited or refunded as an overpayment made on the due date for filing the return of tax for such taxable year.

“(B) EXCEPTION.—Subparagraph (A) shall not apply to a rollover contribution under this subsection which is made from an eligi- ble retirement plan which is not a Roth IRA or a designated Roth account (within the meaning of section 401A) to a Roth IRA or a designated Roth account under an eligible retirement plan.

“(4) INTEREST.—Notwithstanding subsection (d), interest shall be allowed under subsection (c) in a case in which the Sec- retary makes a determination described in subsection (d)(2)(A) with respect to a levy on an individual retirement plan.

“(5) TREATMENT OF INHERITED ACCOUNTS.—For purposes of paragraph (1)(A), section 408(d)(3)(C) shall be disregarded in deter- mining the amount of any rollover retirement plan is a plan to which a rollover contribu- tion of a distribution from the plan levied upon is permitted.”

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid under subsections (b), (c), and (d)(2)(A) of section 401(k) of the Internal Revenue Code of 1986 in taxable years beginning after December 31, 2017.

SEC. 11073. MODIFICATION OF USER FEE RE- QUIREMENTS FOR INSTALLMENT AGREEMENTS.

(a) IN GENERAL.—Section 6571 is amended by redesignating subsection (a) as subsection (b), and by inserting after such subsection the following new subsection:

“(1) INSTALLMENT AGREEMENT FEE.—

“(A) IN GENERAL.—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.

“(B) 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 amount is available, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary), the taxpayer may agree to make payments under the installment agreement by electronic payment through a debit instru- ment, no fee shall be imposed on an in- stallment agreement under this section, and

“(C) the taxpayer has agreed to make payments under the installment agreement by electronic payment through a debit instru- ment, no fee shall be imposed on an in- stallment agreement under this section, and

“(2) AMOUNT.—In the case of any taxpayer with an adjusted gross income, as determined for the most recent taxable year for which such amount is available, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary), the taxpayer may agree to make payments under the installment agreement by electronic payment through a debit instru- ment, no fee shall be imposed on an in- stallment agreement under this section, and

“(B) if the taxpayer is unable to make payments under the installment agreement by electronic payment through a debit instru- ment, no fee shall be imposed on an in- stallment agreement under this section, and

“(C) the Secretary may not impose any fee under this section if the Secretary determines the payment is possible without undue hardship to the taxpayer

“(3) EFFECTIVE DATE.—The amendments made by this section shall apply to agreements entered into on or after the date which is 90 days after the date of the enact- ment 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 1040EZ, except that—

“(1) the form shall be available only to indi- viduals 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)(2) 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)(10) of such Code), and

“(3) the form shall be available without re- gard to the amount of any item of taxable income or the total amount of taxable in- come, as determined 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 PRO- TECTING TAXPAYERS BY REIN- STATING APPROPRIATE FUNDING LEVELS.

It is the sense of the Senate that politi- cally motivated budget cuts—

“(A) reduce services provided to taxpayers and protect taxpayer information, and

“(B) reduce the ability of the Internal Rev- enue 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 Macroeconomic 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 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.—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 that was awarded a grant under this section and was subsequently subject to a field site visit by the Internal Revenue Service (including through partnerships, other partnerships, educational, 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 not be eligible for any additional grants under this section unless such program provides, as part of their application, information to the Secretary regarding such corrective measures established by such program to address the deficiencies identified following the field site visit.

"(C) The Secretary, in awarding grants under this section, the Secretary shall give priority to applications—

"(i) demonstrating assistance to low-income taxpayers with an emphasis on outreach 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) to conduct training, and perform quality reviews of the returns for which assistance has been provided under the program, and

"(iii) for equipment purchases and vehicle-related expenses associated with remote or rural tax preparation services,

"(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 grants 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 tax preparation of any income tax returns meet the training requirements prescribed by the Secretary, and

"(D) which uses a quality review process which reviews at least 10 percent of all returns.

"(2) Qualified Entity.—

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

"(i) is a coalition (with one lead organization) as described in subparagraph (B),

"(ii) is compliance with Federal tax filing 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 (20 U.S.C. 1088), as in effect on the date of the enactment of this subsection, and which has not been disqualified from participating in a program under title IV of such Act by the Secretary.

"(II) a State government agency,

"(III) a local government agency, including—

"(aa) a county or municipal government agency, and

"(bb) an Indian tribe, as defined in section 4(13) of the Native American Housing Assistance and Self-Determination Act of 2006 (25 U.S.C. 4103(13)), including any tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), tribal subdivision or other wholly owned tribal entity, or

"(IV) a local, State, regional, or national coalition (with one lead organization which is described in subsection (a)(1)(C) thereof) acting as the applicant organization.

"(ii) Alternative eligible organization.—If the 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 agency.

"(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 completed phaseout amount under section 32(b)(1) for a married couple filing a 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 populations of persons with disabilities, persons with limited English proficiency, Native Americans, individuals 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 7526 the following new item:

"7526A. Return preparation programs for low-income taxpayers.''.

SEC. 11077. FREE FILE PROGRAM.

(a) In general.—The Secretary of the Treasury, or the Secretary's delegate, shall continue to operate the IRS Free File Program as established by the Internal Revenue Service and published in the Federal Register on November 4, 2002 (67 Fed. Reg. 67247), including any subsequent agreements and governing rules established pursuant thereto.

The IRS Free File Program shall continue to provide free commercial-type online individual income tax preparation and electronic filing services to the lowest 70 percent of taxpayers by income to low-income 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.

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 services described in subsections (b) and (c).

(e) Nothing in this section is intended to impact the continuity of services provided by the American Association of Retired Persons, Tax Counseling for the Elderly, and Volunteer Income Tax Assistance programs.
(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts beginning after December 31, 2018.

SEC. 12001. REPEAL OF TAX FOR CORPORATIONS.

(a) IN GENERAL.—Section 56(a) is amended by striking ‘‘There’’ and inserting ‘‘in the case of a taxpayer other than a corporation, there’’.

(b) CONFORMING AMENDMENTS.—(1) Section 55(b)(1) is amended by adding at the end the following new subparagraph: ‘‘(B) CORPORATION.—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) 28 percent of so much of the taxable excess as does not exceed $175,000, plus (ii) 26 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 a separate return, 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 the preceding sentence, marital status shall be determined under section 7703.

(B) Section 56(a) is amended—(1) by striking ‘‘subsection (a)’’ and inserting ‘‘section 55(b)(1)’’; and (2) in paragraph (1), by striking ‘‘A’’ and inserting ‘‘section 55(b)(1)’’.

Section 897(a)(1)(A) is amended by striking ‘‘subsection (b)’’ and inserting ‘‘section 55(b)(1)’’.

(D) Section 911(f) is amended—(1) by inserting ‘‘section 55(b)(1)’’ after ‘‘section 11, 55, or 56,’’; and (2) by inserting ‘‘section 55(b)(1)’’ after ‘‘sections 11 and 55’’.

Sec. 12002. SUSPENSION OF TAX ON INDIVIDUALS.

(a) IN GENERAL.—Section 55(a) is amended by adding at the end the following new flush sentence: ‘‘No tax shall be imposed by this section for taxable years beginning after December 31, 2017, and before January 1, 2026. The tentative minimum tax of any taxpayer for any such taxable year shall be zero for purposes of this title.’’

(b) 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) PORTION OF CREDIT TREATED AS REFUNDABLE.—(1) IN GENERAL.—In the case of any taxable year beginning after 2018, 2019, 2020, or 2021, the limitation under subsection (c) shall be increased by the AMT refundable credit amount for such year.

(2) AMT REFUNDABLE CREDIT AMOUNT.—For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 50 percent (100 percent in the case of a taxable year beginning in 2021) 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 AMOUNT.—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 AMT refundable credit amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined without regard to this paragraph as the number of days in such taxable year bears to 365.

\(\text{(b) TREATMENT OF REFERENCES.}—\text{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 subsection to sections 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.

(2) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years beginning after December 31, 2018.

(2) AMENDMENTS.—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

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) The following sections are each amended by striking "section 11(b)(1)" and inserting "section 11(b)(2)":

(A) Section 280C(c)(3)(B)(i)(I)

(B) Paragraphs (2)(B) and (6)(A)(i) of section 861(e),

(C) Section 7874(a)(1)(B)

(ii) A 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.

(b) By striking paragraphs (4) and (6), and by redesignating paragraph (5) as paragraph (4).

(c) Section 453A(c)(3) is amended by striking paragraphs (5) and (6), and redesignating paragraph (7) as paragraph (6).

(d) Section 527(c) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes "is hereby imposed" and inserting:—

"(b) TAX IMPOSED.—A tax", and

(E) Sections 594(a) is amended by striking "taxes imposed by section 11 or 1201(a)(1)" and inserting "tax imposed by section 11".

(F) Section 691(c)(4) is amended by striking "1201(a)."

(G) Section 801(a) is amended—

(i) by striking paragraph (2), and

(ii) by striking all that precedes "is hereby imposed" and inserting:—

"(a) TAX IMPOSED.—A tax", and

(H) Section 831(e) is amended by striking paragraphs (1) and (2) and redesignating paragraphs (3) and (4) as paragraphs (1) and (2), respectively.

(I) Sections 832(c)(5) and 834(b)(1) are each amended by striking "sec. 1201 and following.";

(J) Section 852(b)(3)(A) is amended by striking "section 1201(a)" and inserting "section 1211(b)"

(K) Section 853(b)(1) is amended—

(i) by striking paragraphs (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,

(ii) in subparagraph (C), as so redesignated—

(I) by striking "subsection (A)(i)" in clause (i) thereof and inserting "paragraph (1)";

(II) by striking "the tax imposed by subsection (A)(i)" in clauses (ii) and (iv) thereof and inserting "the tax imposed by paragraph (1) on undistributed capital gain";

(iii) in subparagraph (E), as so redesignated, by striking "subsection (B) or (D)" and inserting "subsection (A) or (C)";

(iv) by striking at the end the following new subparagraph:

"(4) UNDISTRIBUTED CAPITAL GAIN.—For purposes of this paragraph, 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 reference to capital gain dividends only.

(L) Section 882(a)(1), as amended by section 1201, is amended by striking "or 1201(a)".

(M) Section 904(b) is amended—

(i) by striking "or 1201(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 taxable year of less than 365 days, the amount of which is determined with reference to the capital gain dividend percentage.

(iii) by striking paragraph (3)(E) and inserting the following:

"(E) RATE DIFFERENTIAL PORTION.—The rate differential portion of foreign source net capital gain, net capital gain, or the excess of net capital gain from within the United States over net capital gain, as the case may be, is the same proportion of such amount as—

(i) the excess of:

(1) the highest rate of tax set forth in section (a), (b), (c), (d), or (e) of section 11 (whichever applies), over

(2) the alternative rate of tax determined under section 1(h), bears to

(ii) the rate referred to in subclause (I)";

(N) Section 137(b) is amended by striking paragraph (4).

(O) Section 1381(b) is amended by striking "taxes imposed by section 11 or 1201" and inserting "tax imposed by section 11".

(P) Sections 6425(c)(1)(A), as amended by section 1201, and 6655(c)(1)(A)(i) are each amended by striking "section 11(b)".

(Q) Section 7518(g)(6)(A) is amended by striking "or 1201(a)".

(3)(A) Section 1446(e)(1) is amended—

(i) by striking "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 1446(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 1(h) multiplied by the amount".

(C) Section 1446(e)(6) is amended—

(i) by striking "35 percent" and inserting "the highest rate of tax in effect for the taxable year under section 1(h)";

(ii) by striking of the "gain" and inserting "multiplied by the amount".

(D) Section 1446(e)(6)(A) is amended by striking "section 11(b)(1)" and inserting "section 11(b)".

(4) Section 852(b)(1) is amended by striking the last sentence of subparagraph (A) and redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively,
(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 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 pursuant 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 168(t)(9)(A)(i) 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

(ii) 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 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 in a manner consistent with the assumptions made by the taxpayer in determining the rate of accounting, the taxpayer’s tax for the taxable year shall be increased by the amount of the adjustment to the reserve for deferred taxes. Under such method, 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 in a manner consistent with the assumptions made by the taxpayer in determining the rate of accounting, the taxpayer’s tax for the taxable year shall be increased by the amount of the adjustment to the reserve for deferred taxes.

(C) ALTERNATIVE METHOD.—The alternative method is the method in which the taxpayer—

(i) 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

(ii) reduces the excess tax reserve ratably over the remaining regulatory life of the property.

(D) 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 exceeds its excess tax reserve calculated under the average rate assumption method of accounting.

SA 1844. 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, 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 D—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:
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $39,050</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>Over $39,050 but not over $77,800</td>
<td>$3,905, plus 12% of the excess over $39,050</td>
</tr>
<tr>
<td>Over $77,800 but not over $100,600</td>
<td>$9,907, plus 22% of the excess over $77,800</td>
</tr>
<tr>
<td>Over $100,600 but not over $130,000</td>
<td>$22,679, plus 24% of the excess over $100,600</td>
</tr>
<tr>
<td>Over $130,000 but not over $160,000</td>
<td>$50,079, plus 32% of the excess over $130,000</td>
</tr>
<tr>
<td>Over $160,000 but not over $200,000</td>
<td>$91,479, plus 35% of the excess over $160,000</td>
</tr>
<tr>
<td>Over $200,000 but not over $240,000</td>
<td>$131,579, plus 39.6% of the excess over $200,000</td>
</tr>
<tr>
<td>Over $240,000 but not over $320,000</td>
<td>$224,500, plus 40% of the excess over $240,000</td>
</tr>
<tr>
<td>Over $320,000 but not over $480,050</td>
<td>$453,500</td>
</tr>
<tr>
<td>Over $480,050</td>
<td>$913,500</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: | The tax is:
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Not over $33,060</td>
<td>10% of taxable income.</td>
</tr>
<tr>
<td>Over $33,060 but not over $51,800</td>
<td>$1,360, plus 12% of the excess over $33,060</td>
</tr>
<tr>
<td>Over $51,800 but not over $70,000</td>
<td>$5,944, plus 12% of the excess over $51,800</td>
</tr>
<tr>
<td>Over $70,000 but not over $100,000</td>
<td>$9,948, plus 24% of the excess over $70,000</td>
</tr>
<tr>
<td>Over $100,000 but not over $160,000</td>
<td>$31,548, plus 22% of the excess over $100,000</td>
</tr>
<tr>
<td>Over $160,000 but not over $200,000</td>
<td>$43,348, plus 25% of the excess over $160,000</td>
</tr>
<tr>
<td>Over $200,000 but not over $245,350</td>
<td>$84,348, plus 35% of the excess over $200,000</td>
</tr>
<tr>
<td>Over $245,350</td>
<td>$125,084.50</td>
</tr>
</tbody>
</table>

(f) INFLATION ADJUSTMENT.—Section 1(f)(2)(A), as amended by this Act, is amended by striking ‘‘25 percent’’ and inserting ‘‘27.5 percent.’’

Effective Tax Rates—The amendments made by this section shall apply to taxable years beginning after December 31, 2025.

SEC. 12002. CORPORATE TAX RATE.

(a) IN GENERAL.—Section 1(b), as amended by this Act, is amended by striking ‘‘20 percent’’ and inserting ‘‘25 percent’’.

(b) EFFECTIVE DATE.—The amendment 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 2001(b)(2), strike subparagraph (B).
SEC. 20001. 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 not less than 20 million 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 total of $1,000,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection.

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 subsections (b) and (c), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve not less than 20 million 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 total of $1,000,000,000 has been deposited in the general fund of the Treasury from sales authorized under that subsection.

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. 6239 note; Public Law 114–74) is amended—

(1) in clause (ii), by striking “and”;

(2) in clause (iii), by striking the end and inserting “; and”;

(3) by adding at the end the following: “; and (4) 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. 20004. STRATEGIC 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 not less than 20 million 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 total of $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 add the following:

TITLE II

SEC. 20001. LIMITATIONS ON AMOUNT OF DISTRIBUTED QUALIFIED OTHER CONCEPTUAL SHELVE REVENUES.

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 “exceed $500,000,000 for each of fiscal years 2016 through 2025,” and inserting the following: “exceed—

(A) $500,000,000 for each of fiscal years 2016 through 2025; and

(B) $650,000,000 for each of fiscal years 2020 and 2021; and

(C) $750,000,000 for each of fiscal years 2022 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 subsections (b) and (c), the Secretary of Energy shall draw down and sell from the Strategic Petroleum Reserve not less than 20 million barrels of crude oil during the period of fiscal years 2026 through 2027.

(2) DISPOSITION OF AMOUNTS RECEIVED FROM SALE.—Amounts received from a sale under paragraph (1) shall be deposited in the general fund of the Treasury during the fiscal year in which the sale occurs.

(b) EMERGENCY PROTECTION.—The Secretary of Energy shall not draw down and sell crude oil under subsection (a) in a quantity that would limit the authority of the Secretary 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 that could be authorized in the general fund of the Treasury from sales authorized under that subsection.

(c) LIMITATION.—The Secretary of Energy shall not drawdown or conduct sales of crude oil under subsection (a) after the date on which total of $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. SASSE, and Mr. KENNEDY)) proposed an amendment to amendment SEC. 1818 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; as follows:

Beginning on page 46, strike line 5 and all that follows through page 48, line 21, and insert the following:

“(b) SPECIAL RULES 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, 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 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 ’18’ for ’17’.

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

“(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 section if the limitation imposed under section 26(a) were increased by an amount equal to the sum of the taxpayer’s payroll taxes for the taxable year.

(ii) the 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 amount of the taxes imposed by—

(I) section 1401 on the self-employment income of the taxpayer for the year;

(II) section 3101 on wages received by the taxpayer during the calendar year in which the taxable year begins;

(III) 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, and

(IV) section 3201(a) on compensation received by the taxpayer during the calendar year in which the taxable year begins, and

(V) section 3211(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.

“(ii) COORDINATION WITH SPECIAL 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 3201(b) or 3211(b) (relating to agreements entered into by American employers with respect to foreign affiliates) which are equivalent to the taxes referred to in subclause (II) or (III) of clause (i) should 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 includes any amount from gross income under section 911 for such taxable year.

“(D) 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 subclause (I) of that portion of subclause (II) of clause (i) of section 205(c)(2)(B)(I) of the Social Security Act.

“(E) 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’.

“(F) EFFECTIVE DATE.—The amendments made by

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, 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 5 and all that follows through page 48, line 21, and insert the following:

“(b) SPECIAL RULES 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, 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 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 "15.3 percent" for "15 percent".

("(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 the third comma after "qualifying child".

("(6) PORTION OF CREDIT REFUNDABLE.—Subsection (d)(1)(B)(i) shall be applied by substituting --

(A) '15.3 percent' for '15 percent', and

(B) '$0' for '$3,000'.

("(7) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) if the taxpayer fails to provide a social security number to the Social Security Administration.

("(8) RESIDENT OF THE UNITED STATES.—For purposes of this subsection, 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 (1) or (2) of section 152(b)(3) issued to an individual who is not a U.S. citizen.

("(9) 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".

("(10) 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 the third comma after "qualifying child".

("(11) PORTION OF CREDIT REFUNDABLE.—Subsection (d)(1)(B)(i) shall be applied by substituting --

(A) '15.3 percent' for '15 percent', and

(B) '$0' for '$3,000'.

("(12) SOCIAL SECURITY NUMBER REQUIRED.—No credit shall be allowed under subsection (d) if the taxpayer fails to provide a social security number to the Social Security Administration.

("(13) RESIDENT OF THE UNITED STATES.—For purposes of this subsection, 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 (1) or (2) of section 152(b)(3) issued to an individual who is not a U.S. citizen.

("(14) 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".

("(15) 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 the third comma after "qualifying child".

("(16) PORTION OF CREDIT REFUNDABLE.—Subsection (d)(1)(B)(i) shall be applied by substituting --

(A) '15.3 percent' for '15 percent', and

(B) '$0' for '$3,000'.
(c) OFFSETS.—

(1) ADJUSTMENT AND TERMINATION OF CORPORATE RATE.—Section 11, as amended by section 13001 of this Act, is amended—

(A) in subsection (b), by striking "20 percent" and inserting "25 percent";

(B) by adding at the end the following:

"(e) TERMINATION OF 25 PERCENT RATE.—In the case of any taxable year beginning after December 31, 2027—

"(1) the tax computed under subsection (a) shall be computed in the same manner as such tax was computed under subsection (b) (as in effect on the day before the date of the enactment of the Tax Cuts and Jobs Act), and

"(2) this title shall be applied and administered as if the amendments made by section 13002 of such Act had not been enacted.";

(2) ADJUSTMENT OF HIGHEST RATE Bracket.—

(A) JOINT RETURNS.—The last row of the table contained in section 1(j)(2)(A), as added by section 11001(a), is amended to read as follows:

"Over $1,000,000 ............... $301,479.50, plus 39.6% of the excess over $1,000,000."

(B) HEADS OF HOUSEHOLDS.—The last row of the table contained in section 1(j)(2)(B), as added by section 11001(a), is amended to read as follows:

"Over $500,000 ............... $149,348, plus 39.6% of the excess over $500,000.";

(C) UNMARRIED INDIVIDUALS.—The last row of the table contained in section 1(j)(2)(C), as added by section 11001(a), is amended to read as follows:

"Over $500,000 ............... $150,739.50, plus 39.6% of the excess over $500,000."

(D) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—The last row of the table contained in section 1(j)(2)(D), as added by section 11001(a), is amended to read as follows:

"Over $500,000 ............... $150,739.50, plus 39.6% of the excess over $500,000."

(E) EFFECTIVE DATE.—The amendments made by this paragraph shall apply to taxable years beginning after December 31, 2027.

(3) GLOBAL INTANGIBLE LOW-TAXED INCOME ON A COUNTRY-BY-COUNTRY BASIS.—

(A) IN GENERAL.—Section 951(a), as added by section 14201 of this Act, is amended by adding at the end the following:

"(g) DETERMINATION OF GLOBAL INTANGIBLE LOW-TAXED INCOME ON A COUNTRY-BY-COUNTRY BASIS:—

"(1) IN GENERAL.—Notwithstanding any other provision of this section, the global intangible low-taxed income of any United States shareholder for any taxable year shall be determined separately with respect to each foreign country by taking into account such shareholder’s pro rata share of net CFC tested income and net deemed tangible income return which is properly allocable to such foreign country.

"(2) APPLICATION.—The Secretary shall take such actions as are necessary to provide for the application of this section, and any provision of this title to which this section relates, on a country-by-country rather than an aggregate basis.

"(B) EFFECTIVE DATE.—The amendment made by this subsection shall take effect as if included in the amendments made by section 14201 of this Act.

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, to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018; as follows:

Strike all after the first word and insert the following:

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 a section or other provision of this title, such reference shall be considered to be to this title, and such amendment or repeal shall apply to this title as well as to the provision or provisions referred to.

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 $19,050</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $19,050 but not over $38,700</td>
<td>$1,839, plus 35% of the excess over $19,050</td>
</tr>
<tr>
<td>Over $38,700 but not over $500,000</td>
<td>$952.50, plus 12% of the excess over $38,700</td>
</tr>
<tr>
<td>Over $590,000</td>
<td>$150,739.50, plus 39.6% of the excess over $590,000</td>
</tr>
</tbody>
</table>

"(B) 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>Not over $9,525</td>
<td>10% of taxable income</td>
</tr>
<tr>
<td>Over $9,525 but not over $19,050</td>
<td>$1,839, plus 35% of the excess over $9,525</td>
</tr>
<tr>
<td>Over $19,050 but not over $38,700</td>
<td>$952.50, plus 12% of the excess over $19,050</td>
</tr>
<tr>
<td>Over $38,700 but not over $590,000</td>
<td>$150,739.50, plus 39.6% of the excess over $38,700</td>
</tr>
</tbody>
</table>

(b) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—The following table shall be applied in lieu of the table contained in subsection (d):

<table>
<thead>
<tr>
<th>Taxable Income</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 $19,050</td>
<td>$1,839, plus 35% of the excess over $9,525</td>
</tr>
<tr>
<td>Over $19,050 but not over $38,700</td>
<td>$952.50, plus 12% of the excess over $19,050</td>
</tr>
<tr>
<td>Over $38,700 but not over $590,000</td>
<td>$150,739.50, plus 39.6% of the excess over $38,700</td>
</tr>
</tbody>
</table>

(c) ESTATES AND TRUSTS.—The following table shall be applied in lieu of the table contained in subsection (e):

<table>
<thead>
<tr>
<th>Taxable Income</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>$255, plus 24% of the excess over $2,550</td>
</tr>
<tr>
<td>Over $9,150 but not over $12,500</td>
<td>$1,839, plus 35% of the excess over $9,150</td>
</tr>
<tr>
<td>Over $12,500</td>
<td>$3,012, plus 38.5% of the excess over $12,500</td>
</tr>
</tbody>
</table>

(f) REFERENCES TO RATE TABLES.—Any reference in this title to a rate of tax under subsection (c) shall be treated as a reference to the corresponding rate bracket under subparagraph (C) of this paragraph, except that the reference in section 3402(q)(1) to the third lowest rate of tax applicable under subsection (c) shall be treated as a reference to the fourth lowest rate of tax under subgraph (C).

(g) ADJUSTMENTS.—

"(A) NO ADJUSTMENT IN 2018.—The tables contained in paragraph (2) shall apply without adjustment for taxable years beginning after December 31, 2017, and before January 1, 2019.

"(B) SUBSEQUENT YEARS.—For taxable years beginning after December 31, 2018, and before January 1, 2026, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in paragraph (2) in the same manner as under paragraphs (1) and (2) of subsection (f), except that in prescribing such tables—

"(i) subsection (f)(3) shall be applied by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A) thereof;

"(ii) subsection (f)(7)(B) shall apply to any unmarried individual other than a surviving spouse or head of household, and

"(iii) subsection (f) shall not apply.

"(C) SPECIAL RULES FOR CHILDREN WITH UNEMPLOYED INCOME.—

"(A) IN GENERAL.—In the case of a child to whom subsection (g) applies for the taxable year, the rules of subparagraphs (B) and (C) shall apply in lieu of the rule under subsection (g)(1).
(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), table otherwise applicable under this subsection to the child shall be applied with the following modifications:

(i) 24-PERCENT BRACKET.—The maximum 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 earned taxable income of such child.

(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 sum of—

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

(II) the minimum taxable income for the 38.5-percent bracket in the table under paragraph (3) for the taxable year.

(4) APPLICATION OF CURRENT INCOME TAX BRACKETS TO CAPITAL GAINS BRACKETS.—For purposes of applying section 1(h) with the modifications under paragraph (3),—

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

(II) the minimum taxable income for the 38.5-percent bracket in the table under paragraph (2)(E) (as adjusted under paragraph (3)) for the taxable year.

(5) APPLICATION OF CURRENT INCOME TAX BRACKETS TO CAPITAL GAINS RATES.—For purposes of applying section 1(h) (after the modifications under paragraph (3))—

(I) 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)(i)(IV) for the taxable year, and

(II) the maximum 15-percent 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)(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, the taxable income of such child, plus

(i) by substituting ‘below the maximum zero rate amount’ for ‘which would (without regard to this paragraph) be taxed at a rate below 24 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 38.5 percent’ in subparagraph (C)(ii)(D).”

SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED CPI.

(a) IN GENERAL.—Subsection (i) of section 1 is amended by striking “calendar year 2016” in subparagraph (A) and inserting “calendar year 2017.”

(b) DETERMINATION FOR CALENDAR YEAR.—The CPI-U for any 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.

(c) APPLICATION TO PERMANENT TAX TABLES.—Section 1(f)(2)(A) is amended by inserting “, determined by substituting ‘1992’ for ‘2016’ in paragraph (3)(A)(ii)”.

(d) APPLICATION TO OTHER INTERNAL REVENUE CODE PROVISIONS.—

(1) The following sections are each amended by striking “calendar year 1992” in subparagraph (B) and inserting “calendar year 2016” in subparagraph (A)(ii):

(A) Section 23(b)(2).

(B) Paragraphs (1)(A)(ii) and (2)(A)(ii) of section 25A(a).

(C) Section 253(b)(3)(B).

(D) Subsection (b)(2)(B)(i)(I) and clauses (i) and (ii) of subsection (j)(1)(B), of section 32.

(E) Section 36B(1)(2)(B)(i)(II).

(F) Section 41(e)(5)(C)(i).

(G) Subsections (e)(3)(D)(i) and (b)(3)(H)(ii) of section 62.

(H) Section 45(d)(3)(B)(v).

(I) Section 55(d)(4)(A)(ii).

(J) Section 62(d)(3)(B).

(K) Section 63(c)(4)(B).

(L) Section 125(i)(2)(B).

(M) Section 135(b)(2)(B)(ii).

(N) Section 137(t)(2).

(O) Section 146(d)(2)(B).

(P) Section 147(c)(2)(B)(ii).

(Q) Section 151(d)(4)(B).

(R) Section 179(b)(6)(A)(ii).

(S) Subsections (b)(5)(C)(i)(II) and (g)(8)(B) of section 219.

(T) Section 220(g)(2).

(U) Section 221(f)(1)(B).

(V) Section 222(f)(1).

(W) Section 408A(c)(5)(D)(ii).

(X) Section 430(c)(7)(D)(vii)(I).

(Y) Section 512(d)(2)(B).

(Z) Section 513(b)(2)(B).

(AA) Section 831(b)(2)(D)(ii).


(CC) Section 100(b)(3)(B)(ii).

(DD) Section 2022A(4)(B).

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

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

(GG) Section 5000(a)(3)(D)(ii).

(HH) Sections 2622A(4)(B).

(II) Section 6339(f)(1)(B).

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

(KK) Section 6651(1).

(LL) Section 6652(c)(1)(A).

(MM) Section 6662(h)(1).

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

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

(PP) Section 6771(b)(1).

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

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

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

(TT) Section 8611(b)(1)(D)(ii).

(UU) Section 8611(b)(2)(D)(ii).

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

(A) by striking “1992” and inserting “2016”, and

(B) by striking “calendar year 1992” and inserting “calendar year 2016” in subparagraph (A)(ii).
(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 for the 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 again.”. 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 section 1(f)(3)(B).''.

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


(6) Section 162(o)(5) is amended by striking “adjusted for changes in the Consumer Price Index (as defined in section 1(f)(5)) since 1991” and inserting “adjusted by increasing any such amount under the 1991 agreement 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 2016, by substituting ‘calendar year 1990’ for ‘calendar year 1992’ in subparagraph (A)(ii) thereof.”

(7) 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 (if any) by which—

(I) the medical care component of the C-CPI-U (as defined in section 1(f)(6)) for August of the preceding calendar year, exceeds

(II) such component of the CPI (as defined in section 1(f)(5)) for August of 1996, multiplied by the amount determined under section 1(f)(3)(B).”.

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

“(B) AUTOMOBILE PRICE INFLATION ADJUSTMENT.—For purposes of this paragraph—

(I) IN GENERAL.—The automobile price inflation adjustment for any calendar year is the percentage (if any) by which—

(1) the C-CPI-U automobile component for October of the preceding calendar year, exceeds

(2) the index of consumer prices for November of the calendar year.

(II) the C-CPI-U automobile component for any calendar year, is the percentage (if any) by which—

(A) such amount, multiplied by

(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year 2016, by substituting ‘calendar year 1998’ 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 by an amount equal to the lesser of)

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

(9) Section 911(b)(2)(D)(i)(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 taxpayer whose taxable income for any taxable year exceeds $100 (or, if such increase is a multiple of $50, such increase shall be increased to the nearest multiple of $100).”.

(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 6039F(d) is amended by striking “subparagraph (B) thereof shall be applied by substituting ‘1996’ for ‘1995’” and inserting “subparagraph (A)(ii) thereof shall be applied by substituting ‘1995’ for ‘2016’”.

(14) 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 1996, 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 1995’ 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—DEDUCTION FOR QUALIFIED BUSINESS INCOME OF PASS-THRU ENTITIES

SEC. 19011. DEDUCTION FOR QUALIFIED BUSINESS INCOME.

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

“SEC. 199A. QUALIFIED BUSINESS INCOME.

“(1) IN GENERAL.—In the case of a taxpayer who is a pass-through entity (as defined in section 162(b)(1)), for purposes of subsection (c), the amount of qualified items of income, gain, deduction, loss, and credit with respect to any qualified trade or business is the amount 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) 25 percent of the taxpayer’s qualified business income with respect to the qualified trade or business, or

(B) $250,000 (increased by $50,000 for the taxpayer’s taxable year beginning in calendar year 2018).''.

(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 6039F(d) is amended by striking “subparagraph (B) thereof shall be applied by substituting ‘1996’ for ‘1995’” and inserting “subparagraph (A)(ii) thereof shall be applied by substituting ‘1995’ for ‘2016’”.

(14) 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 1996, 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 1995’ 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).”.

(15) The amendment made by paragraph (4) applies to amounts paid or included in gross income after December 31, 2017.

(16) The amendment made by paragraph (5) applies to taxable years beginning after December 31, 2017.

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

(18) The amendment made by paragraph (12) applies to taxable years beginning after December 31, 2017.
"(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) derived with the conduct of a trade or business within the United States (within the meaning of section 662(c)), determined by substituting ‘qualified trade or business’ for ‘nonresident alien individual or a foreign corporation’ for ‘a foreign corporation’ each place it appears, and

(ii) not allocable to an amount described in any of subparagraphs (A) through (C) of section 981(a) or 954(c)(1)(A) (or, in the case of subparagraph (C), before the meaning of section 981(a) is amended by section 199A of the Tax Cuts and Jobs Act)."

(2) SPECIFIED STOCK OR BONDS.—A stock or bond of a corporation which is not received in connection with the conduct of a trade or business is not a qualified item of income, gain, deduction, and loss.

(3) QUALIFIED TRADE OR BUSINESS.—For purposes of this section—

(i) only the applicable percentage of qualified items of income, gain, deduction, or loss, and W-2 wages of the taxpayer allocable to such specified service trades or businesses as otherwise provided in subpart I of subchapter T for purposes of applying this section.

(ii) the taxable income of the taxpayer for the taxable year in excess of the threshold amount, reduced by the percentage equal to the ratio of—

(a) the taxable income of the taxpayer for the taxable year in excess of the threshold amount, reduced by the percentage equal to the ratio of

(b) the cost-of-living adjustment determined under section 1(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.

(iv) any amount increased by an amount equal to—

(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) paid to a partner for services as an employee.

(C) any per-unit retain allocations determined under section 512(b)(1), any per-unit retain allocations (as defined in section 512(b)(1)(C)), or any per-unit retain allocations (as defined in section 512(b)(2)), partnership interests, or any per-unit retain allocations (as defined in section 512(b)(3)) paid to a partner for services 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 or the trade or business of performing services as an employee.

(2) SPECIFIED SERVICE TRADE OR BUSINESS.—The term ‘specified service trade or business’ means any trade or business involving the performance of services described in section 1222(e)(3)(A), including investing and investment management, trading, or dealing in securities (as defined in section 475(e)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

(3) SPECIFIED SERVICE TRADE OR BUSINESS BASED ON TAXPAYER’S INCOME.—

(A) IN GENERAL.—If, for any taxable year, the taxable income of any taxpayer is less than the applicable threshold amount (plus $50,000 ($100,000 in the case of a joint return), then—

(i) the exception under paragraph (1) shall not apply with respect to 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, and the W-2 wages, of the taxpayer allocable to such specified service trades or businesses as otherwise provided in subpart I of subchapter T for purposes of applying this section.

(B) APPLICATION TO PARTNERSHIPS AND CORPORATIONS.—(i) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—

(A) IN GENERAL.—In the case of a 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 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) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means, with respect to any taxable year, 50 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, reduced by the percentage equal to the ratio of

(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 ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

(C) APPLICABLE PERCENTAGE.—In the case of any taxable year beginning after 2016, the dollar amount in paragraph (1) shall be increased by an amount equal to—

(A) the amount increased by the percentage equal to the ratio of

(B) the cost-of-living adjustment determined under section 1(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.

Any amount increased by an amount equal to the percentage equal to the ratio of

(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 ‘calendar year 2017’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any amount as increased under the preceding paragraph is not a multiple of $1,000, such amount shall be rounded to the nearest multiple of $1,000.

(2) 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 305(b)(3), and

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

(3) QUALIFIED COOPERATIVE DIVIDEND.—The term ‘qualified cooperative dividend’ means any patronage dividend (as defined in section 1388(a)), any per-unit retain allocations (as defined in section 1388(f)), or any qualified cooperative dividend (as defined in section 1388(c)), or any similar amount received from an organization described in subparagraph (B)(ii), which—

(A) is included in gross income, and

(B) is received from—

(i) an organization or corporation described in section 501(c)(12) or 1361(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.

(T) SPECTRUM.—

(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).

(2) SPECIFIED BUSINESS.—For purposes of this paragraph, the term ‘specified business’ means—

(A) a trade or business in which a taxpayer has a material income-producing interest (as determined under regulations prescribed by the Secretary), and

(B) any trade or business of performing services as an employee.

For purposes of clause (iii), 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 W-2 wages. For purposes of this subparagraph, in the case of an S corporation, an allocable share shall be the shareholder’s pro rata share of an item.

(3) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—For purposes of this section—

(i) each partner or shareholder shall take into account such person’s allocable share of each qualified item of income, gain, deduction, or loss, and W-2 wages of the partnership or S corporation (as determined under regulations prescribed by the Secretary).
and inserting "qualified cooperative dividends, and qualified publicly traded partnership income".

(2) Qualified publicly traded partnership income.—Section 199A(e), as added by subsection (a), is amended by adding at the end the following new paragraph:

"(d) CONFORMING AMENDMENTS.—Section 199A(c)(1) is amended by inserting at the end the following new paragraph:

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

""The term 'excess business loss' means the excess (if any) of—

"(i) the aggregate deductions of the taxpayer for the taxable year, plus

(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 (2) thereof."

(3) Conforming amendments.—Section 6221(d)(1) is amended by inserting at the end the following new subparagraph:

"(2) Q UALIFIED PUBLICLY TRADED PARTNERSHIPS AND S CORPORATIONS.—In the case of a publicly traded partnership or S corporation, an allocable share shall be taken into account by the partner or shareholder in applying this section to the partner's or shareholder's allocable share in the partnership or S corporation, and the term 'taxable year' means the taxable year of the partnership or S corporation shall be taken into account by the partner or shareholder with or within which the taxable year of the partnership or S corporation ends."

(4) application of subsection in case of partnerships and corporations.—(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 (as defined in section 152) other than a qualifying child described in subsection (c) (after the application of paragraph (3)) 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 (3))."

(5) Exception for certain noncitizens.—Subparagraph (A) shall not apply with respect to any individual who would not be a domestic taxpayer if subsection 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

(6) Maximum amount of refundable credit.—(A) in general.—Subsection (d)(1) shall be applied by substituting '$2,000' for '$1,000'.

(B) Limitation.—In lieu of the amount determined under subsection (b)(2), the threshold amount shall be $2,000.

(C) Definition of qualifying child.—(1) in general.—Paragraph (1) of subsection (c) shall be applied by substituting '18' for '17'.

(D) credit amount.—Subsection (a) shall be applied by subtracting '2,000' for '1,000'.

(E) Exception for certain noncitizens.—Subparagraph (A) shall not apply with respect to any individual who would not be a domestic taxpayer if subsection 152(b)(3) were applied without regard to all that follows 'resident of the United States'.

(F) maximum amount of refundable credit.—(A) in general.—Subsection (d)(1) shall be applied by substituting '$2,000' for '$1,000'.

(B) Adjustment for inflation.—(1) in general.—Paragraph (4) shall not apply to the dollar amounts contained in paragraphs (2) and (3)."

SEC. 11012. INCREASE IN STANDARD DEDUCTION.

(a) in general.—Section 63 is amended by adding at the end the following new subparagraph:

"(2) Coordination with section 40.—This subsection shall be applied after the application of section 40."
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 (j) of that section. The term includes the number issued to subclause (ii) of section 205(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 CHALLENGED ELIGIBLE DESIGNATED BENEFICIARY.

(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:

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taxable years beginning after December 31, 2016, and ending before January 1, 2019”.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2016.

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) REQUIREMENTS FOR 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)(1) 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) LIMITATIONS.—If a distribution is made by an individual to an individual (without regard to clause (i)) and the distribution would not otherwise be treated as a qualified distribution, the distribution shall be treated as an eligible rollover distribution (as defined in section 401(a)(31), 402(f), and 3405 of the Internal Revenue Code of 1986) for purposes of this section.

(c) AMOUNT DISTRIBUTED MAY BE REPAYED.—

(i) IN GENERAL.—Any individual who receives a qualified 2016 disaster distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more rollovers of any such distribution to the extent of such distribution.

(ii) ELIGIBLE RETIREMENT PLAN.—For purposes of subparagraph (i), the term “eligible retirement plan” means any group treated as a single employer under section 414 of the Internal Revenue Code of 1986 which arises in a disaster area described in section 165(c)(3) of the Internal Revenue Code of 1986, and which is maintained by the employer (and any member of a controlled group which includes the employer) to such individual exceeds $100,000.

(d) CARRYOVER.—For purposes of clause (i), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(e) AMOUNT DISTRIBUTED MAY BE REPAYED.—

(i) IN GENERAL.—Any individual who receives a qualified 2016 disaster distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more rollovers of any such distribution to the extent of such distribution.

(ii) ELIGIBLE RETIREMENT PLAN.—For purposes of subparagraph (i), the term “eligible retirement plan” means any group treated as a single employer under section 414 of the Internal Revenue Code of 1986 which arises in a disaster area described in section 165(c)(3) of the Internal Revenue Code of 1986, and which is maintained by the employer (and any member of a controlled group which includes the employer) to such individual exceeds $100,000.

(f) CARRYOVER.—For purposes of clause (i), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(g) AMOUNT DISTRIBUTED MAY BE REPAYED.—

(i) IN GENERAL.—Any individual who receives a qualified 2016 disaster distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more rollovers of any such distribution to the extent of such distribution.

(ii) ELIGIBLE RETIREMENT PLAN.—For purposes of subparagraph (i), the term “eligible retirement plan” means any group treated as a single employer under section 414 of the Internal Revenue Code of 1986 which arises in a disaster area described in section 165(c)(3) of the Internal Revenue Code of 1986, and which is maintained by the employer (and any member of a controlled group which includes the employer) to such individual exceeds $100,000.

(h) CARRYOVER.—For purposes of clause (i), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.

(i) AMOUNT DISTRIBUTED MAY BE REPAYED.—

(i) IN GENERAL.—Any individual who receives a qualified 2016 disaster distribution may, at any time during the 3-year period beginning on the day after the date on which such distribution was received, make one or more rollovers of any such distribution to the extent of such distribution.

(ii) ELIGIBLE RETIREMENT PLAN.—For purposes of subparagraph (i), the term “eligible retirement plan” means any group treated as a single employer under section 414 of the Internal Revenue Code of 1986 which arises in a disaster area described in section 165(c)(3) of the Internal Revenue Code of 1986, and which is maintained by the employer (and any member of a controlled group which includes the employer) to such individual exceeds $100,000.

(j) CARRYOVER.—For purposes of clause (i), the term “controlled group” means any group treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986.
“(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 134(f)(7) of the Consumer Credit Protection Act (15 U.S.C. 1650(g))).”.

(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 2017)”. 

(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 “In the case of” in paragraph (1) and inserting “Except as provided in paragraph (5), in the case of”;

(2) by striking paragraph (2) and inserting the following new paragraph:

“(2) 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—

"(A) EXEMPTION AMOUNT.—The term ‘exemption amount’ means zero.

"(B) APPLICATION TO ESTATES AND TRUSTS.—Section 662(b)(2)(C) is amended by adding at the end the following new clause:

"(III) YEARS WHEN PERSONAL EXEMPTION AMOUNT IS ZERO.—

"(i) In general.—In the case of any taxable year in which the exemption amount under section 151(d) is zero, paragraph (2) shall be applied by substituting ‘$1,150’ for ‘the exemption amount under section 151(d)’.

"(ii) Inflation Adjustment.—In the case of any taxable year beginning after 2018, the $1,150 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 ‘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.

"(C) Verification 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 were a married individual filing a separate return with no dependents.”;

(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 inserting “in the case of taxable years beginning before January 1, 2018, or after December 31, 2025,” before “home equity indebtedness”.

(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 TIRED ON TRADE OR BUSINESS.

(a) In General.—Subsection (h) of section 162 is amended by adding at the end the following new paragraph:

"(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning 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:

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

(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 67 is amended by adding at the end the following new subsection:

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

SEC. 11047. INCREASE IN ESTATE AND GIFT TAX EXEMPTION

SEC. 11052. 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 (e) the following new subsection:

"(g) MADE BY ELECTRONIC PAYMENT THROUGH A DEBIT INSTALMENT AGREEMENT.—The Secretary shall prescribe the following requirements for installment agreements made by electronic payment through a debit installment agreement, 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, pay the taxpayer an amount equal to any such fees imposed.

"(c) Effective Date.—The amendments 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.—Section (g) of section 2001 is amended to read as follows:

"(g) Modifications to Tax Payable.—

"(1) Modifications to Gift Tax Payable to Reflect Different Tax Rates.—For purposes of applying subsection (b)(2) with respect to 1 or more gifts, the rates of tax under section (c) 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 2505a(a)(1), and

"(ii) the sum of the amounts allowed as a credit for all preceding periods under section 2505a(b)(2).

"(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 difference between—

"(A) the basic exclusion amount under section 2010A(c)(3) in effect at the time of the decedent's death, and

"(B) the basic exclusion amount under such section applicable in 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 COMPLAINT TESTING REQUIREMENTS.

(a) Extension of Time for Return of Property Subject to Liens.—Subsection (b) of section 683 is amended by striking "9 months" and inserting "2 years".

(b) Period of Limitation on Suits.—Subsection (c) of section 683 is amended—

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

"(2) by striking "1 year" 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 6331(b)(2) of the Internal Revenue Code of 1986 (without regard to this section) 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 (e) the following new subsection:

"(g) MADE BY ELECTRONIC PAYMENT THROUGH A DEBIT INSTALMENT AGREEMENT.—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.

"(h) Waiver or Reimbursement.—In the case of any taxpayer with an adjusted gross income determined as described in section 62(c)(2) for the taxable year for which such information is available, which does not exceed 250 percent of the applicable poverty level (as determined by the Secretary).

"(a) If the taxpayer has agreed to make payments under the installment agreement by electronic payment through a debt instrument, no fee shall be imposed on an installment agreement under this section.

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

"(c) Effective Date.—The amendments made by this section shall apply to agreements entered into after December 31, 2017.

SEC. 11073. ATTORNEYS' FEES RELATING TO AWARDS TO WHISTLEBLOWERS.

(a) In General.—Paragraph (21) of section 26(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 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) any action brought under—


"(II) a State false claims act, including a State false claims act with qui tam provisions, or


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

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

SEC. 11074. 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—

"(1) penalties, interest, additions to tax, and additional amounts provided under the internal revenue laws, and

"(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.

"(2) Conforming Amendments.—Paragraphs (1) and (2)(A) of section 7623(b) are each amended by striking '50 percent' and inserting '100 percent'.
action’’ and inserting ‘‘proceeds collected as a result of the action’’.

(b) AMOUNT OF PROCEEDS DETERMINED WITHOUT REGARD TO AVAILABILITY.—Paragraphs (a) and (b) 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) DISPUTED AMOUNT THRESHOLD.—Section 7623(b)(5)(B) is amended by striking ‘‘tax, penalties, interest, additions to tax, and addition to the tax imposed by section 6662(e)’’ and inserting ‘‘tax imposed by section 6662(e)’’.

(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. 11081. 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’’ and inserting ‘‘0.9’’.

(2) in subparagraph (B)(i), by striking ‘‘2014’’ and inserting ‘‘2016’’.

(3)(A) by striking ‘‘$959’’ in subparagraph (A) and inserting ‘‘$900’’.

(B) by striking subparagraph (D).

(b) Transitional Treatment.—The amendments made by this section shall apply to months beginning after December 31, 2016.

Subtitle B—Alternative Minimum Tax

SEC. 12001. INCREASED EXEMPTION FOR INDIVIDUALS.

(a) INCREASED EXEMPTION.—Section 55(d) is amended by adding at the end the following new paragraph:

‘‘(6) AMOUNTS DESCRIBED.—The amounts described in this clause are the $109,400 amount in subparagraph (A)(i)(I), the $156,300 amount in subparagraph (A)(i)(II), the $208,400 amount in subparagraph (A)(ii)(I), and the $156,300 amount in subparagraph (A)(ii)(II).’’

‘‘(7) AMOUNTS DETERMINED UNDER SUBCLAUSE (I), (II), OR (III).—(A) IN GENERAL.—Subsection (b) of section 11 is amended to read as follows: ‘‘(b) AMOUNTS DETERMINED UNDER SUBCLAUSE (I), (II), OR (III).—The amount of the tax imposed by subsection (a) shall be 20 percent of taxable income.’’.

(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) AMOUNTS DETERMINED UNDER SUBCLAUSE (I), (II), OR (III).—The amount of the tax imposed by subsection (a) shall be 20 percent of taxable income.’’.

(b) TRANSITIONAL TREATMENT.—

(1) The following sections are each amended by striking ‘‘section 11(b)(1)’’ and inserting ‘‘section 11(b)’’.

(A) Section 861(c)(3)(B)(v).

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

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

(D) Section 11(b)(1) of this Act is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).”
A corporation)''.

(ii) in subparagraph (A), by striking ''paragraphs (1) and (2)'' and inserting ''paragraphs (1), (2), and (5)(A)'', and

(iii) in subparagraph (B), by striking ''(34 percent in the case of calendar year 2017''.

(b) IN GENERAL.—Section 448(d) is amended—

(1) in paragraph (7) of section 448(d) is amended—

(A) the term 'qualified real property' shall be treated as property described in section 168(e)(6), and

(2) any of the following improvements to nonresidential real property placed in service in taxable years beginning after December 31, 2017—

(1) Heating, ventilation, and air-conditioning property.

(2) Security systems.

(3) Fire protection and alarm systems.

(c) REFEEAL 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)(1)''.

(3) INFLATION ADJUSTMENTS.—

(a) INCREASE IN LIMITATION.—The applicable dollar limit is increased by $2,500,000.

(b) REDUCTION IN LIMITATION.—Section 179(d)(2) is amended by inserting ''$2,500,000'' after ''$500,000''.

(c) INCREASE IN DEDUCTION WHERE PORTION OF PROPERTY WAS PLACED IN SERVICE DURING THE THREE-FOURTHS PERIOD.—Section 179(d)(8) is amended by inserting ''$2,500,000'' after ''$500,000''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2017.

(ii) in subparagraph (B), by striking "$500,000'' and inserting "$2,500,000''.

SEC. 13102. MODIFICATIONS OF GROSS RECEIPTS TEST FOR USE OF CASH METHOD OF ACCOUNTING BY CORPORATIONS AND PARTNERSHIPS.

(a) MODIFICATIONS OF GROSS RECEIPTS TEST.—

(1) IN GENERAL.—So much of section 446(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 average annual gross receipts of such entity for the taxable-year period ending with such taxable year which precedes such taxable year does not exceed the applicable dollar limit.''

(2) APPLICABLE DOLLAR LIMIT.—Subsection (c) of section 446 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—

(1) such dollar amount, multiplied by the percentage 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) thereof.

If any amount as increased under the preceding sentence is not a multiple of $1,000, it shall be rounded to the next lowest multiple of $1,000.''

(3) CHANGE IN METHOD OF ACCOUNTING.—

Paragraph (7) of section 446(d) is amended 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 weighted average life or composite rate used to compute depreciation for regulatory purposes, and
from using such method by reason of such subsection—

(2) Corporation not required to use such method of accounting because the taxpayer, and

(b) by striking paragraph (2) and inserting the following: “(2) such change shall be treated as initiated by the taxpayer, and

(3) Exception for certain corporations.—Subsection (c) of section 263A is amended by adding at the end the following new paragraphs: “(4) Coordination with section 481.—If a taxpayer changes its method of accounting for property described by section 471(c)(3) who is not required to use inventories under section 471 for such taxable year because this section does not apply 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 tax year, “(A) such change shall be treated as initiated by the taxpayer, and

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

SEC. 13114. MODIFICATION OF RULES FOR UNIFORM CAPITALIZATION OF CERTAIN EXPENSES.

(a) In general.—Section 263A(b) is amended by inserting “and the cost of an asset is acquired by the taxpayer for resale”.

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

SEC. 13103. CLARIFICATION OF INVENTORY ACCOUNTING RULES FOR SMALL BUSINESSES.

(a) Clarification of inventory rules.—

SEC. 13105. INCREASE IN GROSS RECEIPTS TEST FOR CONSTRUCTION CONTRACT EXCEPT TO PERCENTAGE OF COMPLETION METHOD.

(a) Increase.—

(1) In general.—Section 460(e)(1)(B) is amended—

(b) Application of modifications to farm corporations.—

(1) In general.—Paragraph (1) of section 471(d) is amended to read as follows: “(1) in the case of a corporation that does not have an applicable financial statement, its books and records used for purposes of determining tax imposed by this title. “(3) Qualified taxpayer.—For purposes of this subsection, a qualified taxpayer means, with respect to any taxable year, a taxpayer who meets the gross receipts test of section 471(c) for the taxable year (or, in the case of a sole proprietorship, who would meet such test if such proprietorship were a corporation). Such term shall not include a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 471(a)(3).”

(2) Coordination amendments.—

SEC. 13110. TEMPORARY 100-PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

Subpart A—Cost Recovery

SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR CERTAIN BUSINESS ASSETS.

(a) Increased expensing.—

(1) In general.—Section 168(k) is amended—

(4) Change in method of accounting.—Section 471 is amended—

(2) Property acquired for resale.—Real or personal property described in section 1221(a)(1) which is acquired by the taxpayer for resale.

(3) Exception for small businesses.—This section shall not apply to any taxpayer who—

(4) Films, sound recordings, books, etc.—For purposes of this subsection, the term ‘‘tangible personal property’’ shall include a film, sound recording, video tape, book, or similar property.’’

(5) Coordination with section 49.—If a taxpayer changes its method of accounting because this section does not apply 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 initiated by the taxpayer, and

(b) by inserting “and” at the end of subparagraph (A) and inserting the following: “(B) such change shall be treated as made with the consent of the Secretary.”

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

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

(a) Clarification of inventory rules.—

(1) Paragraph (1) of section 471 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection: “(c) Small Businesses Taxpayers Not Required to Use Inventories.—“(1) in general.—A qualified taxpayer shall not be required to use inventories under this section for a taxable year.

“(2) treatment of taxpayers not using inventories.—A qualified taxpayer who is not required under subsection (a) to use inventories with respect to any property for a taxable year beginning after December 31, 2017, may treat such property—“(A) as a non-incidental material or supply, or

“(B) in a manner which conforms to the taxpayer’s method for accounting for such property in—“(i) an applicable financial statement (as defined in section 451(b)(3)), or

“(ii) in the case of a taxpayer that does not have an applicable financial statement, its books and records used for purposes of determining tax imposed by this title.

“(3) QUALIFIED TAXPAYER.—For purposes of this subsection, a qualified taxpayer means, with respect to any taxable year, a taxpayer who meets the gross receipts test of section 471(c) for the taxable year (or, in the case of a sole proprietorship, who would meet such test if such proprietorship were a corporation). Such term shall not include a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 471(a)(3).”

(2) Coordination amendments.—

SEC. 13104. MODIFICATION OF RULES FOR UNIFORM CAPITALIZATION OF CERTAIN EXPENSES.

(a) In general.—Section 263A is amended by adding at the end the following new paragraphs: “(B) in the matter preceding clause (i), by inserting “the applicable percentage’’ and inserting the following new paragraphs: “(3) Exception for small businesses.—This section shall not apply to any taxpayer who—

(2) Property acquired for resale.—Real or personal property described in section 1221(a)(1) which is acquired by the taxpayer for resale.

(3) Exception for small businesses.—This section shall not apply to any taxpayer who—

(4) Films, sound recordings, books, etc.—For purposes of this subsection, the term ‘‘tangible personal property’’ shall include a film, sound recording, video tape, book, or similar property.’’

(5) Coordination with section 49.—If a taxpayer changes its method of accounting because this section does not apply 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 initiated by the taxpayer, and

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

SEC. 13114. MODIFICATION OF RULES FOR UNIFORM CAPITALIZATION OF CERTAIN EXPENSES.

(a) In general.—Section 263A(b) is amended by inserting “and the cost of an asset is acquired by the taxpayer for resale”.

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

SEC. 13103. CLARIFICATION OF INVENTORY ACCOUNTING RULES FOR SMALL BUSINESSES.

(a) Clarification of inventory rules.—
“(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 January 1, 2023, and before January 1, 2024, 40 percent, and

(iii) in the case of property placed in service after January 1, 2024, and before January 1, 2027, 20 percent.”

(4) In paragraph (2) of section 168(k) is amended by adding at the end the following new paragraph:

“(B) RULE FOR PROPERTY WITH LONGER PRODUCTION PERIODS.—In the case of property described in subsection (e)(6), 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, 2023, 60 percent,

(ii) in the case of a plant which is planted or grafted after January 1, 2023, and before January 1, 2024, 40 percent, and

(iii) in the case of a plant which is planted or grafted after January 1, 2024, and before January 1, 2025, 20 percent.”

(5) of section 168(k) is amended by striking clause (iii).

(f) QUALIFIED 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 subparagraph (i), by striking “1987” and inserting “2017”,

(B) in subparagraph (ii), by striking “27.5 years” and inserting “25 years”, and

(C) by redesignating clause (5) as clause (6).

(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 subsection shall apply to property placed in service after December 31, 2017, in taxable years ending after such date.

SEC. 13203. MODIFICATIONS TO DEPRECIATION PERIODS REgarding QUAliFIED IMPROVEMENT PROPERTY.

(a) Treatment of Certain Farm Property as 5-Year Property.—(i) Clause (ii) of section 168(e)(3)(B) is amended by inserting “after December 31, 2018, and which is placed in service before January 1, 2019” and inserting “after December 31, 2017”.

(b) Repeal of Required Use of 150-Year Declining Balance Method.—Section 168(b)(2) is amended by striking subparagraph (B) and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively.

(c) Effective dates.—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.—

(i) 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”.

(ii) 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”.

(iii) Conforming Amendments.—Clause (ii) of section 168(e)(2)(B) is amended by striking “27.5 years” and inserting “25 years”.

(b) Improvements to Qualified Property.—

(1) Classification of Qualified Improvement Property as 15-Year Property.—Subparagraph (D) of section 168(e)(3) is amended—

(A) in clause (iii), by striking “and”,

(B) in clause (iv), by striking the period and inserting “; and”, and

(C) by inserting at the end the following new clause:

“(v) any qualified improvement property described in subsection (e)(6).”

(Elimination of Qualified Leasehold Improvement, Qualified Restaurant, and Qualified Retail Improvement Property.—Subsection (e) of section 168 is amended—

(A) in subparagraph (E) of paragraph (3)—

(i) by striking clauses (iv), (v), and (ix), and

(ii) in clause (vii), by inserting “and” at the end...

(iii) in clause (viii), by striking “; and” and inserting a period, and

(iv) by redesigning clauses (vi), (vii), and (viii), as so amended, as clauses (iv), (v), and (vi), respectively, and

(B) by striking paragraphs (6), (7), and (8).

(3) Application of Straight Line Method to Qualified Improvement Property.—Paragraph (3) of section 168(b) is amended—

(A) by striking subparagraphs (G), (H), and (I), and...
SEC. 13205. USE OF ALTERNATIVE DEPRECIATION SYSTEMS FOR ELECTING FARMING BUSINESSES.

(a) In General.—Section 168(g)(1), as amended by section 13204, is amended by striking "(ii) any elevator or escalator, or" and inserting "(ii) any elevator or escalator, or".

(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—

(1) 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 no adjustments under section 481(a) shall be made.

(c) Clerical Amendment.—The table of sections for part VI of subchapter B of chapter 1 of subpart A of part III of subchapter A of chapter 44 of subchapter IV of the Internal Revenue Code of 1986 is amended—

(1) by striking the words "credit provided in section 280C" and inserting "credit provided in section 38(g)(2)(A)"; and

(2) by striking the word "subsection" and inserting "section".

SEC. 13206. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) Amendments.—Section 280F is amended—

(1) by striking clause (i) of section 280F(1) and inserting "(1) ";

(2) by striking the item relating to subparagraph (A) of section 280F(2) and inserting "(A) ";

(3) by inserting a new subparagraph (B) at the end of section 280F(2) and inserting "(B) ";

(4) by striking paragraph (3) and inserting "(3) ";

(5) by striking "(4) " and inserting "(4) ";

(6) by striking "(5) " and inserting "(5) ";

(7) by striking "(6) " and inserting "(6) ";

(8) by striking "(7) " and inserting "(7) "; and

(9) by striking "(8) " and inserting "(8) "

(b) Effective Date.—The amendments made by this section shall be applied for purposes of section 481 of the Internal Revenue Code of 1986.

(c) Transitional Rule.—The amendments made by this section shall be applied for purposes of section 481 of the Internal Revenue Code of 1986.
paid or incurred after the date of the enactment of this Act.

Subpart B—Accounting Methods

SEC. 13221. CERTAIN SPECIAL RULES FOR TAX REVENUE INCLUSIONS

(a) INCLUSION NOT LATER THAN FOR FINANCIAL ACCOUNTING PURPOSES.—Section 451 is amended by redesignating subsections (b) through (g) of such section as subsections (c) through (j) respectively, and by inserting after subsection (a) the following new subsection:

"(a) IN GENERAL.—In the case of a taxpayer which has reporting standards not less stringent than the requirements specified by the Secretary for purposes of this subsection, the all events test is met with respect to any item of gross income (or portion thereof) which has reporting standards not less stringent than the requirements specified by the Secretary for purposes of this subsection, an item of gross income is received, so include such portion, and treat as met any later than when such item (or portion thereof) is taken into account as revenue in—

"(i) an applicable financial statement of the taxpayer, or

"(ii) such other financial statement as the Secretary may specify for purposes of this subsection.

(b) EXCEPTION.—This paragraph shall not apply to—

"(i) a taxpayer which does not have a financial statement described in clause (i) or (ii) of paragraph (1) of section 471 for a taxable year, or

"(ii) any item of gross income in connection with a mortgage servicing contract.

(c) ALL EVENTS TEST.—For purposes of this subsection, the all events test is met with respect to any item of gross income if all the events have occurred which fix the right to such income and the amount of such income can be determined with reasonable accuracy.

(2) COORDINATION WITH SPECIAL METHODS OF ACCOUNTING.—Paragraph (1) shall not apply to—

"(i) a 10–K (or successor form), or annual statement to shareholders under (a) of section 1311, if the financial results of a calendar year or a taxable year, except as provided in clause (ii) of paragraph (1)(B).

(3) APPLICABLE FINANCIAL STATEMENT.—For purposes of this subsection, the term 'applicable financial statement' means—

"(A) a financial statement which is certified to be prepared in accordance with generally accepted accounting principles and which is—

"(i) a 10–K (or successor form), or annual statement to shareholders under (a) of section 1311, if the financial results of a calendar year or a taxable year, except as provided in clause (ii) of paragraph (1)(B).

"(3) APPLICABLE FINANCIAL STATEMENT.—For purposes of this subsection, the term 'applicable financial statement' means—

"(A) a financial statement which is certified to be prepared in accordance with generally accepted accounting principles and which is—

"(i) a 10–K (or successor form), or annual statement to shareholders under (a) of section 1311, if the financial results of a calendar year or a taxable year, except as provided in clause (ii) of paragraph (1)(B).

"(ii) included in any item of gross income for which the taxpayer uses a special method of accounting provided under any other provision of this chapter, other than any provision of part V of subchapter P except as provided in clause (ii) of paragraph (1)(B).

(5) GROUP OF ENTITIES.—For purposes of clause (i) of paragraph (1), if the financial results of a taxpayer are reported on the applicable financial statement (as defined in paragraph (3)) for a group of entities; such statement may be treated as the applicable financial statement of the taxpayer.

(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) TREATMENT OF ADVANCE PAYMENTS.—(1) IN GENERAL.—A taxpayer which computes taxable income under the accrual method of accounting, and receives any advance payment during the taxable year, shall—

"(A) except as provided in subparagraph (B), include such advance payment in gross income for such taxable year, or

"(B) if the taxpayer elects the application of this subparagraph with respect to the category of advance payments to which such advance payment belongs, the taxpayer shall—

"(i) treat such advance payment as received on the date of such payment is received, so include such portion, and

"(ii) include the remaining portion of such advance payment in gross income in the taxable year following the taxable year in which such payment is received.

(2) ELECTION.—(A) IN GENERAL.—Except as otherwise provided in this paragraph, the election under paragraph (1)(A) shall be effective for the taxable year with respect to which it is first made and for all subsequent taxable years, unless the taxpayer elects to revoke such election. For purposes of this title, the computation of taxable income under an election made under paragraph (1)(A) shall be treated as a method of accounting.

(3) 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 received by the taxpayer during a taxable year if such taxpayer ceases to exist during (or with the close of) such taxable year.

(4) 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 described in clause (i) or (ii) of paragraph (1), if the close of such taxable year, and

"(iii) which is for goods, services, or such 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 section, an item of gross income is received by the taxpayer if it is actually or constructively received, or if it is due and payable to the taxpayer.

(d) ALLOCATION OF TRANSACTION PRICE.—For purposes of this subsection, rules similar to the rules of subsection (b) shall apply.

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

(1) such change shall be treated as initiated by the taxpayer, and

(2) such change shall be treated as made with the consent of the Secretary of the Treasury.

(f) QUALIFIED CHANGE IN METHOD OF ACCOUNTING.—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.

(2) SPECIAL RULES FOR ORIGINATING ISSUE DISCOUNT BONDS.—Notwithstanding subsection (c), in the case of income from a debt instrument having original issue discount—

"(i) the amendments made by this section shall apply to taxable years beginning after December 31, 2018, and

"(ii) the period for taking into account any adjustment under section 1274 with respect to a qualified change in method of accounting (as defined in subsection (d)) shall be 6 years.

PART IV—BUSINESS-RELATED EXCLUSIONS AND DEDUCTIONS

SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST

(a) IN GENERAL.—Section 163(j) is amended to read as follows:

"(1) LIMITATION ON BUSINESS INTEREST.—

"(A) IN GENERAL.—The amount allowed as a deduction under this chapter for any taxable year for business interest shall not exceed the sum of—

"(i) the business interest income of such taxpayer for such taxable year, plus

"(ii) 30 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) CAREFORED OF DISABLED 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 to which such method is applicable to such taxpayer for such taxable year.

In the case of any taxpayer which is not a corporation and its shareholders.

For purposes of this subsection, the term ‘excess business interest’ means—

(i) the excess (if any) of—

(I) the amount determined for the partnership under paragraph (1)(B), over

(II) the amount (if any) by which the business interest paid or accrued by the partner exceeds the business interest income of the partnership, bears to

(III) the amount determined for the partnership under paragraph (1)(B).

(B) ELECTING REAL PROPERTY TRADE OR BUSINESS.—

(A) For requirement that an electing real property trade or business use the alternative depreciation system, see section 167(j)(2).

(B) Treatment of Carryforward of Disallowed Business Interest in Certain Corporate Acquisitions.—

(1) In General.—Section 382(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(n)(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:

(3) Conforming Amendment.—Section 382(k)(1) is amended by inserting after the last sentence of this subsection, the following new paragraph:

(20) Carryforward of Disallowed Business Interest.—The term ‘pre-change law’ shall include any carryover of disallowed interest described in section 163(n) under rules similar to the rules of paragraph (1).

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

SEC. 13392. MODIFICATION OF NET OPERATING LOSS DEDUCTION.

(a) Limitation on Deduction.—

(1) General.—Section 172(a) is amended to read as follows:

(2) Special Rule for Dispositions.—If a partner disposes of a partnership interest, the adjusted basis of such partnership interest shall be determined immediately before the disposition by the amount of the excess (if any) of the amount of the basis reduction under subclause (I) over the portion of any excess business interest allocated to the partner under clause (i)(II) of paragraph (1) which under clause (ii) as business interest paid or accrued by the partner. The preceding sentence shall also apply to transfers of the partnership interest (including by reason of death) in a transaction in which gain is not recognized in whole or in part. No deduction shall be allowed to the transferee or transferee under this chapter for any excess business interest resulting in a basis increase under this subclause.

(b) Electing Real Property Trade or Business.—For purposes of this paragraph, the term ‘electing real property trade or 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 and in such manner as shall prescribe, and, once made, shall be irrevocable.

(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.

(2) Coordination of Limitation With Carrybacks and Carryovers.—Section 172(b)(2) is amended by striking ‘shall be
CARRYBACK; INDEFINITE CARRYFORWARD.—(as in effect before the date of enactment of the Tax Cuts and Jobs Act)” after “as defined in section 172(f)(1).”

(d) TREATMENT OF CERTAIN INSURANCE LOSSES.—(1) TREATMENT OF CARRYFOWARDS 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) subsection (a)(2) shall be applied by substituting ‘real estate investment trust taxable income’ (as defined in section 857(b)(4)) for ‘taxable income’.”;

(b) REPEAL OF NET OPERATING LOSS CARRYBACK; INDEFINITE CARRYFORWARD.—(1) IN GENERAL.—Section 172(b)(1)(A) is amended—

(A) by striking “shall be a net operating loss carryback to each of the 2 taxable years” in clause (i) and inserting “except as otherwise provided in this paragraph, shall not be a net operating loss carryback to any taxable year”;

and

(B) by striking “to each of the 20 taxable years” in clause (ii) and inserting “to each taxable year”;

(2) CONFORMING AMENDMENT.—Section 172(b)(1) is amended by striking paragraphs (2), (3), and (4), and by redesignating paragraphs (5) and (6) as paragraphs (2) and (3), respectively.

(ii) FARMING LOSS.—For purposes of this section, the term ‘farming loss’ means the lesser of—

(I) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 261(a)(4)) are taken into account, or

(II) the amount of the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 261(a)(4)) are taken into account, or

(III) the amount of the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 261(a)(4)) are taken into account, or

(iv) ELECTION.—Any taxpayer entitled to a 2-year carryback under clause (i) from any loss year may elect not to have such clause apply to such loss year. Such election shall be made in such manner as prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.

(ii) FARMING LOSSES.—For purposes of this section, the term ‘farming loss’ means the lesser of—

(I) the amount which would be the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 261(a)(4)) are taken into account, or

(II) the amount of the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 261(a)(4)) are taken into account, or

(III) the amount of the net operating loss for the taxable year if only income and deductions attributable to farming businesses (as defined in section 261(a)(4)) are taken into account, or

(V) The heading of section 1303 is amended by striking “PROPERTY” and inserting “REAL PROPERTY”.

(6) The table of sections for part III of chapter O of subchapter A of chapter 1 of subtitle A of title 26 is amended by striking the item relating to section 1301 and inserting the following new item:

“Sec. 1301. Exchange of real property held for productive use or investment.”.
PREAMISES ALLOWED AS DEDUCTION.—Paragraph (2) of section 122(f), as amended by subsection (a), is amended—
(1) by striking subparagraph (B),
(2) by striking paragraphs (C) and (D) as subparasgraphs (B) and (C), respectively,
(3) by striking of subparagraph (D)’’ in the last sentence and inserting of subparagraph (C)’, and
(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 “or RECREATION, OR QUALIFIED TRANSPORTATION FRINGE’’;
(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 and—
(I) constitutes payment for, or reimbursement to, an employee of the taxpayer in connection with travel between the employee’s residence and place of employment, and, if necessary, for ensuring the safety of the employee.’’;
(d) ELIMINATION OF DEDUCTION FOR MEALS PROVIDED AT CONVENIENCE OF EMPLOYER.—Section 119, as amended by subsection (c), is amended—
(1) by redesigning subsection (o) as subsection (p), and
(2) by inserting after subsection (n) the following new subsection:
“(o) MEALS PROVIDED AT CONVENIENCE OF EMPLOYER.—No deduction shall be allowed under this chapter for—
“(1) any expense for the operation of a facility described in section 119(e)(2), and any expense for food or beverages, including under section 119(e)(1), associated with such facility,
“(2) any expense for meals described in section 119(a).”
(e) EFFECTIVE DATE.—
(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2018.
(2) EFFECTIVE DATE FOR ELIMINATION OF DEDUCTION FOR CERTAIN FINES, PENALTIES, AND OTHER AMOUNTS.—
(a) DENIAL OF DEDUCTION.—
(1) IN GENERAL.—The appropriate official shall deny the deduction otherwise allowable under this chapter for any amount—
(I) which is paid or incurred on or after the date of the enactment of this Act, except that such amounts shall not apply to amounts paid on or incurred under any binding order or agreement entered into before such date.
(II) for which there shall not be a court order, or agreement requiring court approval unless the approval was obtained before such date.
(b) REPORTING OF DEDUCTIBLE AMOUNTS.—
(1) IN GENERAL.—Subpart B of title III of chapter 1 is amended by striking section 6000W after section 6000W.
(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid on or incurred on or after the date of the enactment of this Act.
(2) EARLIER TERMINATION FOR CERTAIN TAXPAYERS.—Subsections (g) and (h) of section 6000 are each amended by striking the words “or paragraph (2)” and inserting “or paragraph (2),” and by striking “(1) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,” and inserting “(1) the amount required to be paid as a result of the suit or agreement to which paragraph (1) of section 162(f) applies,” and by adding the following sentence:
“(2) any amount required to be paid as a result of the suit or agreement which constitutes restitution or remediation of property,” and
(C) any amount required to be paid as a result of the suit or agreement which constitutes restitution or remediation of property, and
(i) the taxpayer establishes—
(I) constitutes restitution (including remediation of property) for damage or harm which was or is reasonably caused by the violation of any law or the potential violation of any law, or
(II) is paid to come into compliance with any law which was or is reasonably involved in the investigation or inquiry by any government or entity into the potential violation of any law.
“(2) EXCEPTION FOR AMOUNTS ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.
(a) REPEAL.—
(1) TAXPAYERS OTHER THAN CORPORATIONS.—Section 199 is amended by adding at the end the following new subsection:
“(n) TERMINATION.—Subsection (d) is amended by striking “and” after “in any other case” and inserting “in any other case, or by the appropriate official under this subsection which the government or entity has authority, or by the appropriate official under this subsection,” and by inserting “or in the investment of any government or entity in the potential violation of any tax law,” after “any law,” after “such law,” and before “section.”
“(1) the taxpayer establishes—
(I) constitutes restitution (including remediation of property) for damage or harm which was or is reasonably caused by the violation of any law or the potential violation of any law, or
(II) is paid to come into compliance with any law which was or is reasonably involved in the investigation or inquiry described in paragraph (1),
(II) in the case of any amount of restitution for failure to pay any tax imposed under this title in the same manner as if such amount were such tax, which would have been allowed as a deduction under this chapter if it had been timely paid.
“The identification under clause (ii) alone shall not be sufficient to make the establishment required under clause (i).”
(b) LIMITATION.—Subparagraph (A) shall not apply to any amount paid or incurred as reimbursement to the government or entity for the costs of any investigation or litigation.
“(3) EXCEPTION FOR AMOUNTS PAID OR INCURRED AS THE RESULT OF CERTAIN COURT ORDERS.
(1) IN GENERAL.—Paragraph (1) shall not apply to any amount paid or incurred by reason of any order of a court in a suit in which no government or governmental entity is a party.
(2) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid on or incurred under any order of a court in a suit instituted before such date.
(3) TIME OF FILING.—The return required under this section shall be filed at the
time the agreement is entered into, as determined by the Secretary.

"(b) \textit{Statements To Be Furnished To Individuals In the Settlement.}—Every person required to make a return 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 under subsection (a), and

"(c) \textit{Appropriate Official Defined.}—For purposes of this section, the term \textit{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) \textit{Conforming Amendment.}—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050W the following new item:

"Sec. 6050X. Information with respect to certain fines, penalties, and other amounts."

(3) \textit{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, 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. \textbf{DENIAL OF DEDUCTION FOR SETTLEMENT OR PAYMENT OF COMPENSATION FOR SEXUAL HARASSMENT OR SEXUAL ABUSE.}

(a) \textbf{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) \textbf{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) any payment related to such a settlement or payment.

(b) \textbf{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. \textbf{REFEEipation of Deduction for Local Lobbying Expenses.}

(a) \textbf{In General.}—Section 162(e)(3) is amended by striking paragraphs (2) and (7) and by redesignating paragraphs (3), (4), (5), (6), and (8) as paragraphs (2), (3), (4), (5), and (6), respectively.

(b) \textbf{Conforming Amendment.}—Section 6038(e)(1)(B)(ii) is amended by striking "section 162(e)(5)(B)(ii)" and inserting "section 162(e)(1)(B)(ii)".

(c) \textbf{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. \textbf{RECHARACTERIZATION OF CERTAIN GAINS IN THE CASE OF PARTNER- SHIP INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES.}

(a) \textbf{In General.}—Part IV of subchapter O of chapter 1 is amended by—

(1) by redesigning section 1061 as section 1062, and

(2) by inserting after section 1060 the following new section:

"SEC. 1061. \textbf{PARTNERSHIP INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES.}—

(a) \textbf{In General.}—If one or more applicable partnership interests are held by a taxpayer at any time during the taxable year, the excess 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 ‘1 year’ in paragraph (1), shall be treated as short-term capital gain, notwithstanding section 83 or any election in effect under section 83(b).

(b) \textbf{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) \textbf{Applicable Partnership Interest.}—For purposes of this section—

(1) \textbf{In General.}—Except as provided in this paragraph or paragraph (4), the term ‘applicable partnership interest’ means any interest in a partnership which, directly or indirectly, is transferred to (or is held by) the taxpayer in connection with the performance of substantial services by the taxpayer, or any other related person, in any applicable trade or business. The previous sentence shall not apply to an interest held by a person who is employed by another entity that is conducting a trade or business (other than an applicable trade or business) and only provides services to such other entity.

"(2) \textbf{Applicable Trade or Business.}—The term ‘applicable trade or business’ means any activity conducted on a regular, continuous, and substantial basis, which, regardless of whether the activity is conducted in one or more entities, consists, in whole or in part, of—

(A) raising or returning capital, and

(B) the following:

(i) \textbf{Investing in (or disposing of) specified assets.}—Any investment or disposition of specified assets for such investing or such disposition is an interest held by a taxpayer or

(ii) \textbf{Developing specified assets.}—Any investment or disposition of specified assets for developing specified assets.

(3) \textbf{Specified Asset.}—The term ‘specified asset’ means securities (as defined in section 475(b)(2) without regard to any requirement that the issuers of the securities be engaged, and is (and was) not related to a person so engaged, in (directly or indirectly) providing substantial services described in paragraph (1) for such partnership or any applicable trade or business.

(d) \textbf{Transfer of Applicable Partnership Interest to Related Person.}—

(1) \textbf{In General.}—If a taxpayer transfers any applicable partnership interest, directly or indirectly, to a person related to the taxpayer, the taxpayer shall include in gross income (as short term capital gain) the excess (if any) of—

(A) the value of such taxpayer’s long-term capital gains with respect to such interest for such taxable year attributable to the sale or exchange of any asset held for not more than 3 years as allocable to such interest, over

(B) any amount treated as short term capital gain under subsection (a) with respect to the transfer of such interest.

(2) \textbf{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 most recent three calendar years in any applicable trade or business in which for which the taxpayer performed a service.

(e) \textbf{Regulations.}—The Secretary shall prescribe regulations (at the time and in the manner prescribed by the Secretary) as is necessary to carry out the purposes of this section.

(f) \textbf{Regulations.}—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section.

(2) \textbf{Clerical Amendment.}—The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to section 1061 and inserting the following new items:

"Sec. 1061. Partnership interests held in connection with performance of services."

"Sec. 1062. Cross references."

(3) \textbf{Effective Date.}—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 13311. \textbf{PROHIBITION ON CASH, GIFT CARTDS, AND OTHER NON-TANGIBLE PERSONAL PROPERTY FOR EMPLOYEE ACHIEVEMENT AWARDS.}

(a) \textbf{In General.}—Subparagraph (A) of section 274(f)(3) is amended—

(1) by striking ‘‘The term’’ and inserting the following:

‘‘(i) \textbf{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) \textbf{Tangible Personal Property.}—For purposes of clause (i), the term ‘tangible personal property’ shall not include—

(A) cash, cash equivalents, gift cards, 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

(B) vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.''

(b) \textbf{Effective Date.}—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.
(A) in paragraph (1), by striking “plus” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “; and”;
(B) by redesignating paragraph (4)(C)(i)(II) by inserting “; and”;
(C) by redesignating paragraph (9) as paragraph (10) and inserting after paragraph (8) the following new paragraph:

“(9) FLOOR PLAN FINANCING INTEREST DEFINITION.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘floor plan financing interest’ means interest paid or accrued for floor plan financing indebtedness.

“(B) FLOOR PLAN FINANCING INDEBTEDNESS.—The term ‘floor plan financing indebtedness’ means indebtedness—

“(i) used to finance the acquisition of motor vehicles held for sale or lease, and

“(ii) secured by the inventory so acquired.

“(C) MOTOR VEHICLE.—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.

(b) EXCEPTION FROM 100 PERCENT EXPENSING.—

(1) IN GENERAL.—Paragraph (6) of section 168(k), as added by section 13202(a)(4), is amended—

(A) by striking “shall not include any property” and inserting “shall not include—

“(A) any property”, and

(B) by adding at the end the following new subparagraph:

“(B) any property used in a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.”;

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after September 27, 2017, in taxable years ending after such date.

SEC. 13141. ELIMINATION OF DEDUCTION FOR LIVING EXPENSES INCURRED BY MEMBERS OF CONGRESS.

(a) IN GENERAL.—Section (a) of section 162 is amended in the matter following paragraph (3) by striking “in excess of $3,000”.

(b) EFFECTIVE DATE.—The amendment 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 “27.5 percent”.

(b) ELECTION OF REDUCED CREDIT.—Subsection (b) of section 280C is amended by redesignating 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—

“(i) paragraphs (1) and (2) shall not apply, and

“(ii) the amount of the credit under section 45C(a) shall be the amount determined under subparagraph (B); and

“(B) AMOUNT OF REDUCED CREDIT.—The amount of credit determined under this subparagraph for any taxable year shall be the amount equal to—

“(I) the amount of credit determined under section 45C(a) without regard to this paragraph, over

“(II) the product of—

“(aa) the amount described in clause (i), and

“(bb) 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.”;

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

SEC. 13402. AMOUNT LIMITED TO CERTIFIED HISTORIC STRUCTURES.

(a) IN GENERAL.—Subsection (a) of section 47 is amended by inserting after clause (8) the following new paragraph:

“(a) GENERAL RULE.—

“(1) IN GENERAL.—For purposes of section 47, 47(c)(1)(B) and 47(c)(1)(C), if the floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest of paragraph (B) the following new subpar

“(C) the floor plan financing interest of paragraph (B) is the amount equal to 20 percent of the qualified rehabilitation expenditures with respect to the qualified rehabilitated building, as allocated ratably to each year during the period described in such paragraph (1), the ratable share for any taxable year shall be the amount of tax for such year (including extensions), if the floor plan financing interest of paragraph (B) is the amount equal to 20 percent of the qualified rehabilitation expenditures with respect to the qualified rehabilitated building, as allocated ratably to each year during such period.

“(2) RATABLE SHARE.—For purposes of paragraph (1), the ratable share for any taxable year during the period described in such paragraph (1) is the amount equal to 20 percent of the qualified rehabilitation expenditures with respect to the qualified rehabilitated building, as allocated ratably to each year during such period.

“(2) CERTIFIED HISTORIC STRUCTURES.—(A) IN GENERAL.—The term ‘certified historic structure’ means a structure that is certified as a historic structure by the Secretary of the Interior under section 47(c)(1)(B).”;

(b) CONFORMING AMENDMENTS.—

(1) Section 47(c) is amended—

(A) in paragraph (1)—

“(i) by striking clause (9) and inserting—

“(9) any self-propelled vehicle designed for transporting persons or property on a public street, highway, or road;

“(ii) by redesignating clause (10) as clause (9), and

“(B) in paragraph (2), by amending clause (iv) to read as follows:

“(iv) CERTIFIED HISTORIC STRUCTURE.—Any expenditure attributable to the rehabilitation of a qualified rehabilitated building unless the rehabilitation is a certified rehabilitation (within the meaning of subparagraph (C));”;

(2) Paragraph (4) of section 145(d) is amended—

(A) by striking “section 47(c)(1)(C)” each place it appears and inserting “section 47(c)(1)(B)”;

(B) by striking “section 47(c)(1)(C)” and inserting “section 47(c)(1)(B)”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.

(2) TRANSITION RULE.—In the case of qualified rehabilitation expenditures with respect to any building—

(A) owned or leased by the taxpayer during the entire period after December 31, 2017, and

(B) with respect to which the 24-month period selected by the taxpayer under section 47(c)(1)(B) of the Internal Revenue Code of 1986 (as amended by subsection (b)) begins not later than 180 days after the date of the enactment of this Act.

(d) AMENDMENTS MADE BY THIS SECTION.—The amendments made by this section shall apply to such expenditures paid or incurred after the end of the taxable year in which the 24-month period referred to in subparagraph (B) ends.

SEC. 13403. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE.

(a) IN GENERAL.—

(1) ALLOWANCE OF CREDIT.—Subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

“SEC. 45S. EMPLOYER CREDIT FOR PAID FAMILY AND MEDICAL LEAVE.

(a) ESTABLISHMENT OF CREDIT.—

“(1) IN GENERAL.—The credit allowed under section 33(c) of title 26, section 35(c) of title 18, section 51(c) of title 5, section 41(c) of title 29, section 63(c) of title 38, and section 11(c) of title 53, shall be allowed to, and shall be determined for, the 24-month period selected by the employer if the employer provides the 24-month period of paid family and medical leave to employees during any period in which such employees are on family and medical leave.

“(2) APPLICABLE PERCENTAGE.—For purposes of paragraph (1), the term ‘applicable percentage’ means 12.5 percent increased (but not above 25 percent) by 0.25 percentage points for each percentage point by which the rate of payment (as described under subsection (c)(1)(B)) exceeds 50 percent.

“(b) LIMITATION.—

“(1) 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.

“(2) NON-HOURLY WAGE RATE.—For purposes of paragraph (1), in the case of any employee who is not paid on an hourly wage rate, the wages of such employee shall be prorated to an hourly wage rate under regulations established by the Secretary.

“(3) MAXIMUM AMOUNT OF LEAVE SUBJECT TO CREDIT.—The amount of 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.

“(c) ELIGIBLE EMPLOYER.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible employer’ means any employer who is in place a policy that meets the following requirements:

“(A) The policy provides for the case of a qualifying employee who is not a part-time employee (as defined in section 4980E(d)(4)(B), not less than 2 weeks of annual paid family and medical leave, and

“(ii) in the case of a qualifying employee who is a part-time employee, an amount of annual paid family and medical leave that is not less than an amount which bears the same ratio to the amount of annual paid family and medical leave that is provided to a qualifying employee described in clause (i) and

“(i) the number of hours the employee is expected to work during any week, bears to (ii) the number of hours an equivalent qualified full-time employee described in clause (i) is expected to work during the week.

“(B) The policy requires that the rate of payment under the program is not less than the rate of pay (as described under section 33(a)(2)) paid to such employee for services performed for the employer.

“(C) The policy requires that the rate of payment under the program is not less than the rate of pay (as described under section 33(a)(2)) paid to such employee for services performed for the employer.

“(2) SPECIAL RULE FOR CERTAIN EMPLOYERS.—

“(A) IN GENERAL.—An added employer shall not be treated as an eligible employer unless
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 access to, or otherwise impose, the attempt to exercise, any right provided under the policy, and

(ii) will not discharge or in any other manner discriminate against any individual for opposing any practice prohibited by the policy.

(B) ADDED EMPLOYER: ADDED EMPLOYEE.—

For purposes of this paragraph—

(1) ADDED EMPLOYEE.—The term ‘added employee’ means a qualifying employee who is not covered by title I of the Family and Medical Leave Act, as amended.

(2) ADDED EMPLOYER.—The term ‘added 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.

(3) AGGREGATION 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 FOR STATE OR LOCAL GOVERNMENTS.—

For purposes of this section, any leave which is paid by a State or local government or required by State or local leave law shall not be taken into account in determining the amount of paid family and medical leave provided by the employer.

(5) EFFECTIVE SHARE.—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 employee (as defined in section 3(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 41(a)(1)(B).

(c) EXCLUSION.—

(1) IN GENERAL.—Except as provided in paragraph (2), for purposes of this section, the term ‘family and medical leave’ means leave which is of the type of leave described under 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 as vacation leave, personal leave, or medical or sick leave (other than leave specifically for 1 or more of the purposes referred to in paragraph (1), that paid leave shall not 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 type of leave described under 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.

(4) DETERMINATION MADE BY SECRETARY OF TREASURY.—For purposes of this section, any determination as to whether an employer or an employee satisfies the applicable requirements for an eligible employer (as described in subsection (c)) or qualifying employee (as described in subsection (d)), respectively, shall be made by the Secretary based on information to be provided by the employer, as the Secretary determines to be necessary or appropriate.

(5) CREDIT.—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). No credit shall not include any amount taken into account for purposes of determining any other credit allowed under this subpart.

(6) ADJUSTMENT 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 subheading.

(3) EFFECTIVE DATE.—This section shall apply to wages paid in taxable years beginning after December 31, 2017.

(b) CREDIT PART OF GENERAL BUSINESS CREDIT.—Section 38(b) is amended by striking ‘‘plus’’ at the end of paragraph (35), by striking the period at the end of paragraph (36) and inserting ‘‘, plus’’, and by adding at the end the following new paragraph:

‘‘(37) in the case of an eligible employer (as defined in section 45S(c)), the paid family and medical leave credit determined under section 45S(a).’’.

(c) CREDIT ALLOWED AGAINST AMT.—Subparagraph (B) of section 38(b)(4) is amended by redesignating clauses (x) through (xii) as clauses (x) through (xiii), respectively, and by inserting after clause (viii) the following new clause:

‘‘(xii) the credit determined under section 45S.’’.

(d) CONFORMING AMENDMENTS.—

(1) DEDUCTION OF DOUBLE BENEFIT.—Section 280C(a) is amended by inserting ‘‘45S(a),’’ after ‘‘45P(a).’’.

(2) ELECTION TO HAVE CREDIT NOT APPLY.—

Section 6501(m) is amended by inserting ‘‘45S(b),’’.

(3) CREDITS ALLOWED AGAINST AMT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:

‘‘Sec. 45S. Employer credit for paid family and medical leave.’’.

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

Subpart B—Provisions Relating to Low-Income Housing Credit

SEC. 13411. TREATMENT OF VETERANS PREFFERED PREFERENCES AND AGGREGATION—GENERAL PUBLIC USE REQUIREMENTS

(a) IN GENERAL.—Subparagraph (C) of section 42(g)(8)(B) is amended as follows:

(1) ‘‘(C) who are veterans of the Armed Forces,’’.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to buildings placed in service before, on, or after the date of the enactment of this Act.

SEC. 13412. INCREASE IN CREDIT FOR CERTAIN NEW BUILDINGS IN RURAL AREAS

(a) IN GENERAL.—Section 42(d)(5)(B) is amended by adding at the end the following new clause:

‘‘(VI) CERTAIN NEW BUILDINGS IN RURAL AREAS.—For purposes of clause (I), a building described in subsection (b)(1)(B)(i) which is located in a rural area (as defined in section 520 of the Housing Act of 1949) shall be treated in the same manner as a new building located in a difficult development area which is designated for purposes of this subparagraph.’’.

(b) OFFSET.—Section 42(d)(5)(B)(i) is amended by striking ‘‘130 percent’’ both places it appears in clauses (I) and (II) and inserting ‘‘150 percent’’.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after the date of the enactment of this Act.

PART VI—PROVISIONS RELATED TO SPECIFIC ENTITIES AND INDUSTRIES

Subpart A—Partnership Provisions

SEC. 13501. TREATMENT OF VETERANS FROM SALE OR EXCHANGE OF CERTAIN PARTNERSHIP INTERESTS

(a) IN GENERAL.—Section 864(c) is amended by adding at the end the following:

‘‘(B) VETERAN FROM SALE OR EXCHANGE OF CERTAIN PARTNERSHIP INTERESTS.—

‘‘(1) IN GENERAL.—Notwithstanding any other provision of this subtitle, if a non-resident alien individual or foreign corporation owns, directly or indirectly, an interest in a partnership which is engaged in any trade or business within the United States, gain or loss from the sale or exchange of all (or any portion) of such interest shall be treated as effectively connected with the conduct of such trade or business to the extent such gain or loss does not exceed the amount determined under subparagraph (B).’’

(b) AMOUNT TREATED AS EFFECTIVELY CONNECTED.—The amount determined under this paragraph with respect to any partnership interest sold or exchanged—

(i) in the case of any gain on the sale or exchange of the partnership interest, is—

(1) the portion of the gain described in clause (i) which would have been so effectively connected with the conduct of a trade or business within the United States if the partnership had sold all of its assets at their fair market value as of the date of the sale or exchange of such interest, or

(2) zero if no gain on such deemed sale would have been so effectively connected, and

(ii) in the case of any loss on the sale or exchange of the partnership interest, is—

(1) the portion of the partner’s distributive share of the amount of loss on the deemed sale described in clause (i) which would have been so effectively connected, or

(2) zero if no loss on such deemed sale would have been so effectively connected.

For purposes of this paragraph, a partner’s distributive share of the amount of gain which would have been effectively connected with the conduct of a trade or business within the United States if the partnership had sold all of its assets at their fair market value as of the date of the sale or exchange of such interest, or

(1) zero if no gain on such deemed sale would have been so effectively connected, and

(2) zero if no loss on such deemed sale would have been so effectively connected.

For purposes of this paragraph, a partner’s distributive share of the amount of gain which would have been effectively connected with the conduct of such trade or business within the United States if the partnership had sold all of its assets at their fair market value as of the date of the sale or exchange of such interest, or

(1) zero if no gain on such deemed sale would have been so effectively connected, and

(2) zero if no loss on such deemed sale would have been so effectively connected.
(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 partner's distributive share of amounts described in paragraph (1) with respect to any dis- position that the transferee furnishes to the Secretary, under penalty of perjury, the Secretary’s United States taxpayer identification number and that the transferee is not a foreign person.

“(B) False Affidavit.—Subparagraph (A) shall not apply to any disposition if—

“(i) the transferee has actual knowledge that the partner’s distributive share of amounts described in paragraph (1) with respect to the disposition is false, or the transferee receives a notice (as described in section 1445(d)) from a transferor’s agent or transferee’s agent that such affidavit or statement is false, or

“(ii) the Secretary by regulations requires the transferee to furnish a copy of such affidavit or statement to the Secretary and the transferee fails to furnish a copy of such affidavit or statement to the Secretary at such time and in such manner as required by such regulations.

“(C) Rules for Agents.—The rules of section 1445(d) shall apply to a transferor’s agent or transferee’s agent with respect to any affidavit described in subparagraph (A) in the same manner as such rules apply with respect to the disposition of a United States real property interest under such section.

“(3) Authority of Secretary to Prescribe Reduced Amount.—At the request of the transferee or transferee, the Secretary may prescribe a reduced amount to be withheld under this section if the Secretary determin- es that to substitute such reduced amount will not jeopardize the collection of the tax imposed under this title with respect to gain treated under section 861 as effectively connected with the active conduct of a trade or business with in the United States.

“(4) Partnership to Withhold Amounts Not Withheld by the Transferee.—If a transferor or transferee who is not a foreign person is required to withhold under paragraph (1), the partnership shall be required to deduct and withhold from distributions to the transferee a tax in an amount equal to the amount the transferee failed to withhold (plus interest under this title on such amount).

“(5) Definitions.—Any term used in this subsection which is also used under section 1445 shall have the same meaning as when used in such section.

“(6) Regulations.—The Secretary shall prescribe such regulations as may be nec- essary to carry out the purposes of this subsection, including regulations providing for exceptions from the provisions of this subsection.”.

(c) Effective Date.—The amendments made by this section shall apply to sales of partnership interests entered into after November 27, 2017.

SEC. 13502. MODIFY DEFINITION OF SUBSTAN- TIAL BUILT-IN LOSS IN THE CASE OF TRANSFER OF PARTNERSHIP INTERESTS.

(a) In General.—Paragraph (1) of section 743(d) is to read as follows:

“(1) In General.—For purposes of this section, a partner's distributive share of amounts described in paragraph (1) with respect to any disposition that the transferee has actual knowledge that the partner’s distributive share of amounts described in paragraph (1) with respect to the disposition is false, or the transferee receives a notice (as described in section 1445(d)) from a transferor’s agent or transferee’s agent that such affidavit or statement is false, 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 AC- COUNT IN DETERMINING LIMITA- TION ON ALLOWANCE OF PARTNER'S SHARE OF LOSS.

(a) In General.—Subsection (d) of section 704 is amended—

“(1) In General.—A partner’s distributive share,

“(2) by striking “any excess of such loss” and inserting the following:

“(2) by striking “any excess of such loss” and

“(3) by adding at the end the following new paragraph:

“(B) 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 chari- table contribution of property that the fair market value of such property exceeds its adjusted basis, subparagraph (A) shall not apply to the extent of the partner’s distributive share of such exceed- ence.

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

Subpart B—Insurance Reforms

SEC. 13511. NET OPERATING LOSSES OF LIFE IN- SURANCE COMPANIES.

(a) In General.—Section 805(b) is amended by striking paragraph (5) and redesignating paragraph (5) as (4).

(b) Conforming Amendments.—

“(1) Part I of subchapter L of chapter 1 is amended by striking section 810 (and by striking the item relating to such section in the table of sections for such part).

“(B) Section 831(b) is amended by striking section 844 (and by striking the item relating to such section in the table of sections for such part).

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

SEC. 13512. REPEAL OF SMALL LIFE INSURANCE COMPANY DEDUCTION.

(a) In General.—Part I of subchapter L of chapter 1 is amended by striking section 806 and (by striking the item relating to such section in the table of sections for such part).

(b) Conforming Amendments.—

“(1) Section 831(b) is amended—

“(A) by striking “(as defined in section 806(b)(3))” in paragraph (2), and

“(B) by adding at the end the following new paragraph:

“(C) Noninsurance Business.—

“(A) In General.—For purposes of this sub- section, the term ‘noninsurance business’ means any activity which is not an insurance business.

“(B) Certain activities treated as insurance businesses.—For purposes of subpara- graph (A), any activity which is not an insurance business shall be treated as an insurance business if—

“(1) it is of a type traditionally carried on by insurance companies for investment purposes, but only if the carrying on of such activity (other than in the case of real estate) does not constitute the active conduct of a trade or business,

“(ii) it involves the performance of adminis- trative services in connection with plans providing life insurance, pension, or accident and health benefits.

“(2) Section 465(c)(7)(D)(v)(II) is amended by striking “section 806(b)(3)” and inserting “section 853(b)(3)”.

“(3) Section 801(a)(2) is amended by striking subparagraph (C).

“(4) Section 801 is amended by striking “means” and all that follows and inserting “means the general deductions provided in section 805.”.

“(5) Section 805(a)(4)(B), as amended by this Act, is amended by striking clause (i) and by redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

“(6) Section 805(b)(2)(A), as amended by this Act, is amended by striking clause (ii) and by redesignating clauses (iv) and (v) as clauses (ii) and (iv), respectively.

“(7) Section 842(c) is amended by striking paragraphs (2) and (3) and redesigning para- graphs (2) and (3) as paragraphs (1) and (2), respectively.

“(8) Section 853(b)(1), as amended by section 13513, is amended by striking subparagraph (A) and by redesigning subparagraphs (B) and (C) as subparagraphs (A) and (B), respec- tively.

“(9) Section 855(a)(2)(A), as amended by this Act, is amended by striking clause (ii) and by redesignating clauses (iv) and (v) as clauses (ii) and (iv), respectively.

“(10) Section 855(b)(2)(A), as amended by this Act, is amended by striking clause (ii) and by redesignating clauses (iv) and (v) as clauses (ii) and (iv), respectively.

“(11) Section 855(c) is amended by striking paragraphs (1) and (2) and redesigning paragraphs (1) and (2) as paragraphs (1) and (2), respectively.

“(12) Section 855(c)(1), as amended by section 13513, is amended by striking paragraph (A) and by redesigning subparagraphs (B) and (C) as subparagraphs (A) and (B), respec- tively.

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

SEC. 13513. ADJUSTMENT FOR CHANGE IN COMPUTING RESERVES.

(a) In General.—Paragraph (1) of section 807(f) is amended to read as follows:

“(1) Treatment as change in method of accounting.—If the basis for determining any item referred to in subsection (c) of the close of any taxable year differs from the basis for such determination as of the close of the preceding taxable year, then so much of the difference between—

“(B) 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 old basis, as is attributable to contracts issued before the taxable year shall be taken into account under section 461 as adjustments attrib- utable to a change in the method of accounting initiated by the taxpayer and made with the consent of the Secretary.”. 
SEC. 13514. REPEAL OF SPECIAL RULE FOR DIS- 
TRIBUTIONS TO SHAREHOLDERS 
FROM PRE-1984 POLICYHOLDERS 
SURPLUS ACCOUNT.

(a) In General.—Subpart D of part I of subsection L is amended by striking section 815 (and by striking the item relating to such section in the table of sections for such sub- 

b) CONFORMING AMENDMENT.—Section 801 is amended by striking subsection (c).

d) EFFECTIVE DATE.—The amendments 

SEC. 13515. MODIFICATION OF PRORATION 
RULES FOR PROPERTY AND CAS- 
UALTY INSURANCE COMPANIES.

(a) In General.—Section 832(b)(3)(B) is 

(b) EFFECTIVE DATE.—The amendments 

SEC. 13516. REPEAL OF SPECIAL ESTIMATED TAX 
PAYMENTS.

(a) In General.—Part III of subchapter L 
chapter 1 is amended by striking section 847 (and by the item relating to such section in the table of sections for such part).

d) EFFECTIVE DATE.—The amendments 

SEC. 13517. COMPUTATION OF LIFE INSURANCE 
RESERVES.

(a) In General.

(1) COMPUTATION OF RESERVES.—Section 

(b) Effective.

The amendments

made by this section shall apply to taxable 

years beginning after December 31, 2017.

SEC. 13518. LIFE INSURANCE RESER- 
VES.

(a) In General.

(1) miscellaneous items taken into account.

The items referred to in subsections (a) and (b) 

are as follows—

(1) The life insurance reserves (as defined 

in section 802) which

(2) The unearned 

premiums and unpaid losses included in total reserves under section 816(c)(2).

(3) Subaccounts (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 (at the time with respect to which the 

computation is made under this para- 

graph) life, accident, or health conti- 

nencies,

(3) Dividend accumulations, and other 

amounts, held at interest in connection with 

insurance and annuity contracts.

(5) Premiums received in advance, and li- 

ability to refund thereon, and 

(6) Reasonable special contingency re- 

serves under contracts of group term life in- 

surance or group accident and health insur- 

ance which are established and maintained 

for the provision of insurance on retired 

lives, for premium stabilization, or a com- 

bination thereof.

For purposes of paragraph (3), the appro- 

riate rate of interest is the highest rate or 

rates permitted to be used to discount the 

obligations by 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 par- 

agraph (2) 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) is amended— 

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

(B) by redesignating paragraph (6) as para- 

graph (4), 

(C) by inserting before paragraph (3) the 

following new paragraphs:

(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 con- 

tract, or

(ii) 92.87 percent of the reserve deter- 

mined 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 equal to the sum of—

(i) the greater of—

(I) the net surrender value of such con- 

tract, or

(ii) 92.87 percent of the excess (if any) of 

the reserve determined under paragraph (2) 

over the amount in clause (i).

(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 of such reserves as of the date the 

reserve is determined. In no case shall the 

amount determined under this paragraph 

with respect to any contract shall be deter- 

mined by using the tax reserve method appli- 

ca to such contract.''

(3) Section 807(e) is amended— 

(A) by striking subsection (g) and inserting in 

its place

(1) Section 808 is amended by adding at the 

beginning of section 808—

(3) (B) AMOUNT OF RESERVE DETERMINED 

UNDER PARAGRAPH (C) IS DETERMINED 

REPEATEDLY.

For purposes of this paragraph, the supplemen- 

tal benefits described in this subparagraph 

are as follows—

(1) guaranteed insurability, 

(2) accidental death or disability benefit, 

(3) convertibility, 

(4) disability waiver benefit, or 

(5) other benefit prescribed by regula- 

tions, which is supplemental to a contract for 

which there is a reserve described in sub- 

section (c), and 

(6) Adding at the end of the following new paragraph:

(6) REPORTING RULES.—The Secretary shall require reporting (at such time and in such manner as the Secretary prescribes) with respect to the opening balance and closing balance of reserves with respect to the method of calculating charges specified in the prevailing commissioners' standard tables as defined in subsection (b)(10), and 

(b) by adding at the end of subsection (f) the following new paragraph:

(10) PREVAILING COMMISSIONERS' STANDARD 

TABLES.—For purposes of subsection (c), 

the term ‘prevailing commissioners’ standard tables’ means the most re- 

cent commissioners' standard tables prescribed by the National Association of In- 

surance Commissioners which are 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. 

The prevailing commissions' standard tables as of the beginning of any calendar year 

(hereinafter in this paragraph referred to as the ‘year of change’) are different from 

the prevailing commissioners' standard tables as of the beginning of the preceding calendar 

year, the issuer may use the prevailing commissions' standard tables as of the begin- 

ning of the preceding calendar year with respect to any contract issued after the change 

and before the close of the 3-year period begin- 

ning on the first day of the year of change.

(b) CONFORMING AMENDMENTS.—

(1) Section 808 is amended by adding at the 

end of the following new subsection:

(2) PREVAILING STATE ASSUMED INTEREST 

RATE.—For purposes of this subsection— 

(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 com- 

puting 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 the preceding sen- 

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

“(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 “120-month” and inserting “180-month”.

(2) Section 848(c)(2) is amended by striking “1.75 percent” and inserting “2.1 percent”.

(3) Section 848(c)(3) is amended by striking “2.05 percent” and inserting “2.46 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 net premiums for 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, 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 SETTLEMENT TRANSACTIONS.

(a) In General.—Part B of subpart III of chapter 61, as amended by section 13306, is amended by adding 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 contract or any interest in such contract as of the close of such taxable year under such section determined without regard to paragraph (2), 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 subparagraph (B).

(b) Method.—The method provided in this subparagraph is as follows:

If the amount determined under subparagraph (A) exceeds the amount determined under subparagraph (A), 1/3 of such excess shall be taken into account, for each of the 8 succeeding taxable years, as a deduction under section 805(d)(2) or 832(c)(4) of such Code, as applicable.

If the amount determined under subparagraph (A) is less than the amount determined under subparagraph (A), 1/8 of such excess shall be included in gross income, for each of the 8 succeeding taxable years, under section 805(d)(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 DIVIDEND REDUCED 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 sections 805(a)(4), the term ‘company’s share’ means amounts required to be taken into account under section 807(d)(1) of the Internal Revenue Code of 1986 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 amounts required to be taken into account under section 807(d)(1) of the Internal Revenue Code of 1986 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 807(d)(2)(B)).
(B) by striking “or” at the end of subparagraph (HH) of paragraph (2), by striking the period at the end of subparagraph (II) of such paragraph and inserting “, or”, and by inserting after such subparagraph (III) the following new subparagraph: “(JJ) subsection (a)(2), (b)(2), or (c)(2) of section 6605Y (relating to returns relating to certain life insurance contract transactions).”;

(2) Section 947 is amended—

(A) by redesignating subsection (g) as subsection (h), and

(B) by inserting after subsection (f) the following new subsection: “(g) INFORMATION RELATING TO LIFE INSURANCE CONTRACT TRANSACTIONS.—This section shall not apply to any information which is required to be reported under section 6605Y; and

(C) by adding at the end of subsection (h), as so redesignated, the following new paragraph: “(4) For provisions requiring reporting of information relating to certain life insurance contract transactions, see section 6605Y—

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) reportable policy sales (as defined in section 6605Y(d)(2) of the Internal Revenue Code) as added by subsection (a) after December 31, 2017, and

(2) reportable death benefits (as defined in section 6605Y(d)(4) of such Code (as added by subsection (a) after December 31, 2017).”;

SEC. 13521. CLARIFICATION OF TAX BASIS OF LIFE INSURANCE CONTRACTS.

(a) CLARIFICATION WITH RESPECT TO ADJUSTMENTS.—Paragraph (1) of section 1016(a) is amended by striking subparagraph (A) and all that follows and inserting the following: “(A) the—

(i) taxes or other carrying charges described in section 266; or

(ii) expenditures described in section 173 (relating to circulation expenditures), for which deductions have been taken by the taxpayer in determining taxable income for the taxable year or prior taxable years; or

(B) for mortality, expense, or other reasonable charges incurred under an annuity or life insurance contract;”;

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to transfers entered into after August 25, 2009.

SEC. 13522. EXCEPTION TO TRANSFER FOR VALUABLE CONSIDERATION RULES.

(a) IN GENERAL.—Section 101 of this title is amended by inserting after paragraph (2) the following new paragraph:

“(3) EXCEPTION TO VALUABLE CONSIDERATION RULES FOR COMMERCIAL TRANSFERS.—

“(A) IN GENERAL.—The second sentence of paragraph (2) shall not apply in the case of a transfer of a life insurance contract, or any interest therein, which is a reportable policy sale.

“(B) REPORTABLE POLICY SALE.—For purposes of this paragraph, the term ‘reportable policy sale’ means the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has no substantial family, business, or financial relationship with the insured apart from the acquirer’s interest in such life insurance contract. For purposes of the preceding sentence, the term ‘indirectly’ applies to the acquisition by a partnership, trust, or other entity that holds an interest in the life insurance contract.”;

(b) CONFORMING AMENDMENTS.—Paragraph (1) of section 101(a)(1) is amended by striking “subsection (a)” and inserting “as part of an issue described in paragraph (2), (3), or (4),” and inserting “to advance refund other bonds.”;

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers 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 section 13308, is amended by redesignating subsection (a) as subsection (t) and by inserting after subsection (r) the following new subsection:

“(s) DISALLOWANCE 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.—

(Par. 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 section, 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—

(i) the total consolidated assets of such taxpayer (determined as of the close of such taxable year), over

(ii) $10,000,000, or

(B) $40,000,000.

“(d) FDIC PREMIUMS.—For purposes of this subsection, the term ‘FDIC premium’ means any assessment imposed under section 379 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’ means the terms under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365).

“(g) AGGREGATION RULE.—

“(A) IN GENERAL.—Members of an expanded affiliated group shall be treated as a single taxpayer for purposes of applying this subsection.

“(B) EXPANDED AFFILIATED GROUP.—

“(i) IN GENERAL.—For purposes of this paragraph, the term ‘expanded affiliated group’ means 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).

“(ii) CONTROL OF NON-CORPORATE ENTITIES.—A partnership or any other entity (other than a corporation) shall be treated as a member of an expanded affiliated group if such entity is controlled (within the meaning of section 954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this clause).

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

SEC. 13532. REPEAL OF ADVANCE REFUNDING BONDS.

(a) IN GENERAL.—Paragraph (1) of section 149(d) is amended by striking paragraphs (2), (3), and (4); and

(b) CONFORMING AMENDMENTS.—

(1) Section 149(d) is amended by striking paragraphs (2), (3), and (4); and

(2) Section 149(f)(4)(D) is amended by striking clause (iv) and redesignating clauses (v) to (ix) as clauses (iv) to (viii).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to advance refunding bonds issued after December 31, 2017.

SEC. 13533. COST BASIS OF SPECIFIED SECURITIES DETERMINED WITHOUT REGARD TO IDENTIFICATION.

(a) IN GENERAL.—Section 1021 is amended by adding at the end the following new subsection:

“(e) 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 (as defined in section 6695(c)(3)(B)), the basis (and holding period) of such security shall be determined on a first-in first-out basis.

“(2) EXCEPTION.—In the case of a sale, exchange, or other disposition of a specified security by a regulated investment company (as defined in section 851(a)), paragraph (1) shall not apply.”;

(b) CONFORMING AMENDMENTS.—

(1) Section 1021(c)(1) is amended by striking “the conventions prescribed by regulations under this section” and inserting “the method applicable for determining the cost of such security”.

(2) Section 1021(c)(2)(A) is amended by inserting “as in effect prior to the enactment of the ‘Tax Cuts and Jobs Act’” after “this section.”

(3) Section 6695(c)(2)(B)(I) is amended by striking “unless the customer notifies the broker by means of making an adequate identification of the stock sold or transferred”; and

(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. 13541. EXPANSION OF QUALIFYING BENEFICIARIES OF AN EJECTING SMALL BUSINESS TRUST.

(a) NO LOOK-THROUGH FOR ELIGIBILITY PURPOSES.—Section 1361(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 EJECTING SMALL BUSINESS TRUST.

(a) IN GENERAL.—Section 641(c)(2) is amended by inserting after subparagraph (D) the following new subparagraph:

“(E)(i) Section 642(c) shall not apply.

“(ii) 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 deductions 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 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. 13543. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS.

(a) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—Section 481 is amended by adding at the end the following new subsection:

“(d) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—

“(1) IN GENERAL.—In the case of an election by a regulated investment company, 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 ratio as the amount of 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 revocation makes a revocation of its election under section 1362(a), and

“(B) that is required to file reports under section 15(d) of such Act (15 U.S.C. 78o(d)).

“(2) Conforming Amendment.—Section 162(m), as amended by subsection (b), is amended by adding at the end the following new flush sentence:

“Such term shall include any employee who would be described in subparagraph (B) if the reporting described in such subparagraph were required as so described.’’.

(d) Special Rule for Remuneration Paid to Beneficiaries, etc.—Paragraph (4) of section 162(m), as amended by subsection (a), is amended by adding at the end the following new subparagraph:

“(F) Special Rule for Remuneration Paid to Beneficiaries, etc.—For purposes of this section, the term ‘remuneration’ includes any payment by an applicable tax-exempt organization for a written binding contract which was in effect on November 2, 2017, and which was not the product of a substantial risk of forfeiture of such contract.

(e) Effective Date.—

“(1) In General.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

“(2) Exception for Binding Contracts.—The amendments made by this section shall not apply to remuneration which is pursuant to a written binding contract which was in effect on November 2, 2017, and which was not modified in any material respect on or after such date.

SEC. 13602. EXCISE TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION.

(a) In General.—Subchapter D of chapter 42 is amended by adding at the end the following new section:

“SEC. 4990. TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION.

“(a) Tax Imposed.—There is hereby imposed a tax equal to 20 percent of the sum—

“(1) so much of the remuneration paid (other than any excess parachute payment) by an applicable tax-exempt organization for the taxable year with respect to employment of any covered employee in excess of $1,000,000, plus

“(2) any excess parachute payment paid by such organization to any covered employee.

“For purposes of the preceding sentence, remuneration shall be treated as paid when there is no substantial risk of forfeiture of the rights to such remuneration.

“(b) Liability for Tax.—The employer shall be liable for the tax imposed under subsection (a).

“(c) Definitions and Special Rules.—For purposes of this section—

“(1) Applicable Tax-Exempt Organization.—The term ‘applicable tax-exempt organization’ means any organization which for the taxable year—

“(A) is exempt from taxation under section 501(a),

“(B) it is a farmers’ cooperative organization described in section 521(b)(1),

“(C) it has income excluded from taxation under section 119, or

“(D) it is a political organization described in section 527(e)(1).

“(2) Covered Employer.—For purposes of this section, the term ‘covered employer’ means any employer (including any former employee) of an applicable tax-exempt organization if the employment is an employment described in section 110(1), or

“(A) is the chief executive officer of the organization (or any predecessor) for any preceding taxable year beginning after December 31, 2016, or

“(B) was a covered employee of the organization (or any predecessor) for any preceding taxable year beginning after December 31, 2016.

“(3) Covered Employee.—For purposes of this section, ‘covered employee’ means any employee (including any former employee) of any applicable tax-exempt organization which is an employer (including any predecessor) for any preceding taxable year beginning after December 31, 2016.

“(4) Excise Parachute Payment.—For purposes of this section, the term ‘parachute payment’ means any payment in the nature of compensation to (or for the benefit of) any covered employee (or any payment made under or to an annuity contract) which was in effect on November 2, 2017, and which was not the product of a substantial risk of forfeiture of such contract.

“(5) Joint and Several Liability.—If the applicable tax-exempt organization is a joint employer, the liability imposed by subsection (a) shall be joint and several.

“(6) Exclusion.—The tax imposed by subsection (a) shall not apply to any tax which is included in the gross income of the covered employee under section 501(c)(9).

“(7) Special Rule.—For purposes of subsection (a) if—

“(A) the employee—

“(i) is a covered employee for the taxable year, or

“(ii) is the chief executive officer of the applicable tax-exempt organization, or

“(B) the organization is an applicable tax-exempt organization described in section 501(c)(9) which—

“(i) is an organization which is exempt from taxation under section 501(a),

“(ii) has income excluded from taxation under section 119, or

“(iii) is a political organization described in section 527(e)(1).

“(8) Amount.—The amount of the tax imposed by subsection (a) shall be—

“(A) the excess of—

“(i) the amount of remuneration paid by such employer to any covered employee, over

“(ii) the amount of remuneration paid by any such employer to such covered employee, to which—

“(I) the amount of remuneration paid by the applicable tax-exempt organization is excluded under subsection (a)(2), and

“(II) any other amount which is included in the gross income of the covered employee under section 501(c)(9)

“(B) any other amount which is included in the gross income of the covered employee under section 501(c)(9).

“(9) Excess Parachute Payment.—For purposes of determining the tax imposed by subsection (a)(2),—

“(A) In General.—The term ‘excess parachute payment’ means an amount equal to the excess of any parachute payment over the portion of the base amount allocated to such payment.

“(B) Parachute Payment.—The term ‘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.

“(10) Exemption for Payments Under Qualified Plans.—Such term does not include any payment described in section 402(a)(4) (to the extent such payment is ex
shall be applied by including the amount de-

made by this section shall apply to taxable

purposes of a provision of this title other

unless such market is recognized as an estab-

lished securities market (as determined by

the corporation which issued the qualified

poses of this clause, becoming transferable

come transferable (including, solely for pur-

able year determined under this subpara-

determining the base amount.

SEC. 13603. TREATMENT OF QUALIFIED EQUITY

amended by adding at the end the following new sub-

''Sec. 4960. Tax on excess tax-exempt organi-

zation executive compensa-

tion executive compensa-

forfeiture.

porate or an individual acting in such a ca-

sion which transfers qualified stock to a

''(iii) the first date on which any stock of

''(ii) such option or restricted stock unit

''(i) in connection with the exercise of an

option, or

''(ii) agrees in the election made under this

subsection to meet such requirements as are

in connection with the performance of services as an employee, and

''(i) such option or restricted stock unit

was granted by the corporation—

''(I) in connection with the performance of services as an employee, and

''(II) during a calendar year in which such corporation was an eligible corporation.

''(3) ELIGIBLE CORPORATION.—For purposes of subparagraph (A)(i)(II)—

''(1) in general.—The term 'eligible corpo-

ration' means, with respect to any cal-

endar year, any corporation if—

''(I) the chief executive officer of such cor-

oration or an individual acting in such a ca-

pacity,

''(ii) not less than 25 percent of the total dollar amount of the stock so purchased is deferral stock, and

''(III) the determination of which individual

from whom deferral stock is purchased is made on a reasonable basis.

(C) DEFINITIONS AND SPECIAL RULES RE-

LATED TO LIMITATION ON STOCK REDEM-

tion.—

''(i) DEFERRAL STOCK.—For purposes of this paragraph, the term 'deferral stock' means stock with respect to which an election is in effect under this subsection.

''(ii) DEFERRAL STOCK WITH RESPECT TO ANY INDIVIDUAL NOT TAKEN INTO ACCOUNT IF INDIVIDUAL REMAINS DEFERRED DURING LONGER DEFERRAL PERIOD.—Stock purchased by a corporation from any individual shall not be treated as deferral stock under subpara-

''(iv) SPECIAL RULE FOR CALENDAR YEARS BEFORE 2018.—In the case of any calendar year beginning before January 1, 2018, clause (ii) shall be applied in a manner similar to the manner in which an election is made under sub-

section (b).

(B) LIMITATIONS.—No election may be made under this section with respect to any qualified stock if—

''(i) the qualified employee has made an election under subsection (b) with respect to such qualified stock.

''(ii) any stock of the corporation which issued the qualified stock is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) at any time before the election is made, or

''(iii) such corporation purchased any of its outstanding stock in the calendar year preceding the calendar year in which the first date the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, unless—

''(iv) the first date such qualified stock be-

comes transferable (including, solely for pur-

poses of clause (i)(II)—

''(D) TIMING OF INCLUSION.—If qualified

stock is transferred to a qualified employee who makes an election with respect to such stock under this subsection, subsection (a) shall be applied by including the amount de-

termined under such subsection with respect to such stock in income of the employee in the taxable year determined under subpara-

graph (B) in lieu of the taxable year de-

scribed in subsection (a).

''(B) TAXABLE YEAR DETERMINED.—The tax-

able year determined under this subpara-

graph is the tax year of the employee which includes the earliest of—

''(i) the first date such qualified stock be-

comes transferable (including, solely for pur-

poses of clause (i)(II)—

''(II) the employee—

''(i) who was a 1-percent owner (within the meaning of section 416(i)(1)(B)(ii)) at any time during the 10 preceding calendar years,

''(ii) who is or has been at any prior time—

(1) in connection with the exercise of an option, or

''(i) the employee—

''(i) such stock is received—

(1) in connection with the exercise of an option, or

(2) qualified stock.

''(A) IN GENERAL.—For purposes of this sub-

section the term 'qualified stock' means, with respect to any qualified employee, any stock in a corporation which is the employer of such employee, if—

(1) in connection with the exercise of an option, or

(2) the chief financial officer of such cor-

poration or an individual acting in such a ca-

pacity,

(3) EMPLOYEE.—For purposes of clause (i)(II), the term 'employee' shall not include any employee described in section 4960B(d)(4) or any employee described in subsection (b)(iii) if such individual (imme-

diately after such purchase) holds any deferral stock with respect to which an election is in effect under this subsection for a longer period than the election with respect to the stock so purchased.

''(III) PURCHASE OF ALL OUTSTANDING DEF-

erral stock.—The requirements of sub-

clauses (I) and (II) of subparagraph (B)(iii) shall be treated as met if the stock so purchased includes all of the corporation's out-

standing deferral stock.

''(IV) REPORTING.—Any corporation which has outstanding deferral stock as of the begin-

ning of any calendar year and which pur-

chases any of its outstanding stock during such calendar year shall include on its re-

turn 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 re-

quires for purposes of administering this paragraph.

''(V) CONTROLLED GROUPS.—For purposes of this subsection, all persons treated as a sin-

gle employer under section 414(b) shall be treated as 1 corporation.
qualified employee shall, at the time that (or a reasonable period before) an amount attributable to such stock would (but for this subsection) first be includible in the gross income of such employee, be treated as:

"(A) certify to such employee that such stock is qualified stock, and

"(B) notify such employee—

"(i) prior to the date on which the employee receives the stock, that such employee may be eligible to elect to defer income on such stock under this subsection, and

"(ii) that, if the employee makes such an election—

"(I) the amount of income recognized at the end of the deferral period will be based on the value of the stock at the time at which, but for the employee's election, the stock first become transferable or not subject to substantial risk of forfeiture, notwithstanding whether the value of the stock has declined during the deferral period.

"(II) the amount of such income recognized at the end of the deferral period will be subject to withholding under section 3401(a) at the rate determined under section 3402(t), and

"(III) the responsibilities of the employee (as determined by the Secretary under paragraph (A)(ii)) with respect to such withholding.

"(7) RESTRICTED STOCK UNITS.—This section (other than this subsection), including any elections under section 83(i)(1)(B), shall not apply to restricted stock units.

(b) WITHHOLDING.—

"(1) TIME OF WITHHOLDING.—Section 3401 is amended by adding at the end the following new subsection:

"(1) RESTRICTED STOCK OPTION.—Section 83(i) is amended by adding at the end the following new paragraph:

"The preceding sentence shall not apply to any share of stock with respect to which an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.

"(B) EMPLOYEE STOCK PURCHASE PLANS.—Section 422 is amended by adding at the end the following new subsection:

"(1) IN GENERAL.—Section 422(b) is amended by adding at the end the following:

"The preceding sentence shall not apply to any share of stock with respect to which an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.

"(B) IN GENERAL.—Section 422(b)(5) is amended by striking "before the plan" and by inserting ", and the rules of section 83(i) shall apply in determining which employees have a right to make an election under such section” before the semicolon at the end.

(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)) (other than 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)) shall not apply to such arrangement.

(d) INFORMATION REPORTING.—Section 6051(a) is amended by striking "and" at the end of paragraph (14)(B), by striking the period at the end of paragraph (15) and inserting a comma, and by inserting after paragraph (15) the following new paragraphs:

"(16) the amount includible in gross income under subparagraph (A) of section 83(i)(1) with respect to an event described in subparagraph (B) of section 83(i) which occurs in such calendar year, and

"(17) the aggregate amount of income which is being deferred pursuant to elections under section 83(i), determined as of the close of the calendar year.

(e) PENALTY OF EMPLOYER TO PROVIDE NOTICE OF TAX CONSEQUENCES.—Section 6652 is amended by adding at the end the following new subsection:

"(P) NOTICE OF TAX CONSEQUENCES.—(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to stock attributable to failures after December 31, 2017.

(2) REQUIREMENT TO PROVIDE NOTICE.—The amendments made by subsection (e) shall apply to failures after December 31, 2017.

(g) TRANSITION RULE.—Until such time as the Secretary (or the Secretary's delegate) issues regulations or other guidance for purposes of subsection (d) of section 3401, the term "qualified stock" shall mean the aggregate amount of income which is includible in the gross income of an employee under section 83(i)(1) with respect to any year of service. Such actuarial present value with respect to any year shall be calculated using reasonable actuarial assumptions and methods, and assuming payment will be made under the most valuable form of payment under the plan with payment commencing at the later of the earliest age at which unreduced benefits are payable under the plan or the participant's age at the time of the calculation.

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

SEC. 13613. EXTENDED ROLLOVER PERIOD FOR CERTAIN PLAN LOAN OFFSET AMOUNTS.

(a) IN GENERAL.—Section 72(p)(12)(B) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after such subparagraph the following new subparagraph:

"(B) ROLLOVER OF CERTAIN PLAN LOAN OFFSET AMOUNTS.—(i) IN GENERAL.—In the case of an eligible rollover distribution of a qualified plan loan offset amount, the requirements of subparagraph (C) shall apply to such rollover distribution of a qualified plan loan offset amount which is treated as distributed from a qualified employer plan.

\[[406x169]\]

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

SEC. 13611. EXPANSION OF SPECIAL RULE PERMITTING RECHARACTERIZATION OF ROTH IRA CONTRIBUTIONS AS TRADITIONAL IRA CONTRIBUTIONS.

(a) IN GENERAL.—Section 408A is amended by striking paragraph (6) and by redesignating paragraph (7) as paragraph (6).

\[[406x197]\]
“(v) Qualified employer plan.—For purposes of this subsection, the term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4).”.

(b) Conforming Amendment.—Subparagraph (A) of section 402(c)(3) is amended by striking “subparagraph (B)” and inserting “subparagraphs (B) and (C)”.

(c) Effectiveness.—The amendments made by this section shall apply to plan years ending after December 31, 2017.

PART VIII—EXEMPT ORGANIZATIONS

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 imposed.—There is hereby imposed on each applicable educational institution—

“(1) The applicable educational institution’s exempt purpose) is at least $500,000 per taxable year (other than those assets which are used directly in carrying out the institution’s exempt purpose) and

“(2) 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 exempt purpose) is 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 by dividing the daily average 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 542(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 such institution shall be determined 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 509(a)(3) 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 509(a)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.”.

(b) CONFORMING AMENDMENT.—The table of subchapters for chapter 42 is amended by adding at the end the following new item:

“SUBCHAPTER H—EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES

“(c) Effective Date.—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 $241.

“(d) 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 COLLEGIATE ATHLETIC EVENT SEATING RIGHTS.

(a) In General.—Section 170(f)(8)(B) 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 EXCISE TAX IN CASE OF CONTRIBUTIONS MADE IN EXCHANGE FOR COLLEGIATE ATHLETIC EVENT SEATING RIGHTS.

(a) In General.—Section 170(f)(8)(B) is amended—

“(1) by redesigning paragraph (4) as paragraph (5), and

“(2) by inserting after paragraph (3) the following new paragraph:


“(A) In General.—For purposes of this subsection, the production period shall not include the aging period for—

“(i) beer (as defined in section 5522(a)),

“(ii) wine (as described in section 5521(a)), or

“(iii) distilled spirits (as defined in section 5522(a)(8)), except such spirits that are unfit for use for beverage purposes.

“(B) Termination.—This section shall not apply to interest costs paid or accrued after December 31, 2019.”.

(b) CONFORMING AMENDMENT.—Paragraph (b)(6)(C) of section 263A(f), as redesignated by this section, is amended by inserting “except as provided in paragraph (4),” before “‘ending on the date’.”.

(c) 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 5531(a) is amended to read as follows:

“(1) In General.—

“(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 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—

“(I) brewed by the brewer and removed during the calendar year for consumption or sale, or

“(II) imported by the importer into the United States during the calendar year, and

“(iii) $18 on any barrels of beer to which clause (I) does not apply.

“(D) Barrel.—For purposes of this section, a barrel shall contain not more than 31 gallons of beer, and any tax imposed under this section shall be applied at a like rate for any other quantity or for fractional parts of a barrel.

“(E) Reduced Rate for Certain Domestic Production.—Subparagraph (A) of section 5561(a)(2) is amended—

“(1) in the heading, by striking ‘’7 A BARREL’’; and

“(2) by inserting “$3.50 in the case of beer removed after December 31, 2017, and before January 1, 2020”, after “47”.

“(F) Application of Reduced Tax Rate for Foreign Manufacturers and Importers.—Subsection (a) of section 5561 is amended—

“(1) in the heading, by striking subparagraph (C)(I) of paragraph (1), as amended by subsection (a), by inserting “but only if the importer is a foreign manufacturer and importing distributor”.

“(2) by striking subparagraph (D) as redesignated by subsection (a), by redesigning subparagraph (E) as paragraph (D).”
importer under paragraph (4) and the barrels
have been assigned to the importer pursuant

to such paragraph” after “during the cal-

endar year”, and

(b) Adding at the end the following new

paragraph:

"(4) REDUCED TAX RATE FOR FOREIGN MANU-

FACTURERS AND IMPORTERS.—(A) IN GENERAL.

In the case of any barrels of beer which have been brewed or pro-

duced outside of the United States and im-

ported into the United States, the rate of tax applicable to such

barrels shall be $1 per barrel plus the amount prescribed by

section 5041(c).

(b) FOREIGN MANUFACTURERS AND IMPORT-

ERS.—For purposes of paragraph (4), in the case of

beer produced on or after January 1, 2000, paragraph (4) 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 barrel of the first 30,000

wine gallons of wine, plus

(ii) 90 cents per barrel of the next 30,000

wine gallons of wine, plus

(iii) 53.5 cents per barrel of the next

620,000 wine gallons of wine to which clauses

(1) and (2) do not apply, which are

produced by the producer and re-

moved during the calendar year for consump-

tion or sale, or which are imported by the

importer into the United States during the

calendar year.

"(B) ADJUSTMENT OF CREDIT FOR HARD-

CIDER.—In the case of wine described in sub-

paragraph (A) and inserted into the United States by such importer, and

"(c) EFFECTIVE DATE.—The amendments

made by this section shall be effective as

of January 1, 2020, paragraphs (1) and (2) shall

not apply to any calendar quarter beginning

after December 31, 2017, and

SEC. 13803. TRANSFER OF BEER BETWEEN BOND-

ED FACILITIES.

(a) IN GENERAL.—Section 5414 is amended—

(1) by striking "3.3 cents" for "53.5 cents".

(b) TRANSFER OF BEER BETWEEN BONDED

FACILITIES.—

(1) IN GENERAL.—Beer may be re-

moved from a brewery belonging to the same brewer,

or from a brewery belonging to an

other and neither has a proprietary interest,

nor the receiving premises are independent of each

other, and

(2) by adding at the end the following:

"(b) TRANSFER OF BEER BETWEEN BONDED

FACILITIES.—

"(1) 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 pre-

scribe, which shall include—

"(A) any removal 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 an-

other corporation when—

"(i) one such corporation owns the control-

ling interest in the other such corporation,

or

"(ii) the controlling interest in each such corporation is owned by the same person or

persons, and

"(C) any removal from one brewery to

another brewery when—

"(i) the proprietors of transferring and re-

ceiving premises are independent of each

other and neither has a proprietary interest,

directly or indirectly, in the business of the

other, and

"(ii) the transferee has divested itself of all

interest in the beer so transferred and the transforee 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 transferee’s bonded prem-

ises, or from the time of divestment of inter-

est, whichever is later.

"(3) TERMINATION.—This subsection shall not apply to any calendar quarter beginning

after December 31, 2019.

"(b) REMOVAL FROM BREWERY BY PIPELINE.

Section 5414 is amended by inserting "but only if the importer is a

producer" after "to such paragraph".

"(c) EFFECTIVE DATE.—The amendments

made by this section shall apply to any cal-


SEC. 13804. REDUCED RATE OF EXCISE TAX ON CERTAIN WINE.

(a) IN GENERAL.—Section 5041(c) is amend-

ed by adding at the end the following new

paragraph:

"(B) SPECIAL RULE FOR 2018 AND 2019.—

"(A) IN GENERAL.—In the case of wine re-

moved after December 31, 2017, and before January 1, 2020, paragraphs (1) and

(2) 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

(1) does not apply, plus

(iii) 53.5 cents per wine gallon on the first

620,000 wine gallons of wine to which clauses

(1) and (2) do not apply, and

which are produced by the producer and re-

moved during the calendar year for consump-

tion or sale, or which are imported by the

importer into the United States during the
calendar year.

"(B) ADJUSTMENT OF CREDIT FOR HARD-

CIDER.—In the case of wine described in sub-

paragraph (A) and inserted into the United States by such importer, and

"(c) ALLOWANCE OF CREDIT FOR FOREIGN MANU-

FACTURERS AND IMPORTERS.—Sub-

section (c) of section 50H, as amended by

subsection (a), is amended—

(1) in subparagraph (A) of paragraph (4), by

inserting “but only if the importer is an

electric importer under paragraph (9) and

the wine gallons of wine have been assigned
to the importer pursuant to such paragraph”

after “into the United States during the cal-
derary year”, and

(2) by adding at the end the following new

paragraph:

"(9) ALLOWANCE OF CREDIT FOR FOREIGN MANU-

FACTURERS 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) (referred to in this para-
graph as the ‘tax credit’) may be assigned by

the person who produced such wine (referred
to in this paragraph as the ‘producer’), provided that such person makes an election
described in subparagraph (B)(i), to any
electric importer of such wine gallons pursuant to the requirements established by

the Secretary under subparagraph (B).

"(B) ASSIGNMENT.—The Secretary shall,

through such rules, regulations, and proce-
duress as are determined appropriate, estab-

lish procedures for assignment of the tax

credit provided under this paragraph, which shall include—

"(i) a limitation to ensure that the number

of wine gallons of wine for which the tax

credit has been assigned by a foreign pro-

ducer—

"(ii) to any importer does not exceed the

number of barrels of beer brewed or pro-

duced outside of the United States and im-

ported into the United States, for which the

reduced tax rate provided under this para-

graph, which shall be effective from the time of

payment of the tax.

"(iii) 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

penalties of the preceding two sentences shall be applied to a group of brew-

ers 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

shall be treated as a single taxpayer for

purposes of the application of this sub-

section.

"(d) C ONTROLLED GROUP AND SINGLE TAX-

PAYER RULES.—Paragraph (4) of section

5041 is amended—

(1) in subparagraph (A) of paragraph (8), by

inserting "be mingled with beer at the receiving

brewery, subject to such conditions, including

"(ii) to all importers does not exceed the

6,000,000 barrels to which the reduced tax

rate applies,

"(ii) 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

section (c) of section 50H, as amended by

subsection (a), is amended—

(1) in paragraph (4), by striking subparagraph (B), and

(2) by adding at the end the following:

"(b) TRANSFER OF BEER BETWEEN BONDED

FACILITIES.—

"(1) 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 pre-

scribe, which shall include—

"(A) any removal 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 an-

other corporation when—

"(i) one such corporation owns the control-

ling interest in the other such corporation, or

"(ii) the controlling interest in each such corporation is owned by the same person or

persons, and

"(C) any removal from one brewery to

another brewery when—

"(i) the proprietors of transferring and re-

ceiving premises are independent of each

other and neither has a proprietary interest,

directly or indirectly, in the business of the

other, and

"(ii) the transferee has divested itself of all

interest in the beer so transferred and the transforee 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 transferee’s bonded prem-

ises, or from the time of divestment of inter-

est, whichever is later.

"(3) TERMINATION.—This subsection shall not apply to any calendar quarter beginning

after December 31, 2019.

"(b) REMOVAL FROM BREWERY BY PIPELINE.

Section 5414 is amended by inserting "but only if the importer is a

producer" after "to such paragraph".

"(c) EFFECTIVE DATE.—The amendments

made by this section shall apply to any cal-

(ii) 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 tax rate.

(III) CONTROLLED GROUP.—For purposes of this section, any importer making an election described in subparagraph (B)(ii) shall be deemed to be a member of the controlled group of the foreign producer, as described under paragraph (4)."

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

SEC. 13805. ADJUSTMENT OF ALCOHOL CONTENT LEVEL FOR APPLICATION OF EXCISE TAX RATES.

(a) IN GENERAL.—Paragraphs (1) and (2) of section 5041(b) are each amended by inserting "16 percent in the case of wine removed after December 31, 2017, and before January 1, 2020" after "14 percent".

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

SEC. 13806. DEFINITION OF MEAD AND LOW ALCOHOL BY VOLUME WINE.

(a) IN GENERAL.—Section 5041 is amended—

(1) in subsection (a), by striking "Still wines" and inserting "Subject to subsection (h), at paragraph (4) and by inserting after paragraph (2) the following new paragraph:

"(4) Low alcohol by volume wine.—For purposes of this section, the term ‘low alcohol by volume wine’ means a wine—"

(2) by adding at the end the following new subsection:

"(b) MEAD AND LOW ALCOHOL BY VOLUME WINE.—"

"(1) MEAD.—For purposes of this section, the term ‘mead’ means a wine—"

(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, or

(ii) regulated such that it contains not more than 1.28 gram of carbon dioxide per hundred milliliters of wine, and

(iii) which contains fruit product or fruit flavoring, and

(iv) which contains less than 8.5 percent alcohol by volume.

"(2) LOW ALCOHOL BY VOLUME WINE.—For purposes of this section, the term ‘low alcohol by volume wine’ means a wine—"

(i) containing not more than 0.64 gram of carbon dioxide per hundred milliliters of wine, or

(ii) regulated such that it contains not more than 1.28 gram of carbon dioxide per hundred milliliters of wine, and

(iii) which contains fruit product or fruit flavoring other than grape, and

(iv) which contains less than 8.5 percent alcohol by volume.

(3) TERMINATION.—This subsection shall not apply to wine removed after December 31, 2019.

(4) EFFECTIVE DATE.—The amendments made by this section shall apply to wine removed after December 31, 2017.

SEC. 13807. REDUCED RATE OF EXCISE TAX ON CERTAIN DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5001 is amended—

(1) by redesignating paragraphs (a)(1), (b)(1), (c)(1), and (d) of such section as paragraphs (a)(1), (b)(1), (c)(1), and (d) respectively, and

(2) by inserting after such paragraph the following new subsection:

"(e) REDUCED RATE FOR BULK DISTILLED SPIRITS.—For purposes of this section, the term ‘bulk distilled spirits’ means distilled spirits which have been produced outside the United States and have been imported for consumption or sale, after December 31, 2017, and before January 1, 2020, and which shall include—

(1) the number of proof gallons of distilled spirits pursuant to such paragraph, and

(2) the requirements established by the Secretary under subparagraph (b)."

(b) DEFINITION.—For purposes of this section, the term ‘reduced tax rate’ means a rate of excise tax that is 50 percent of the normal tax rate provided under this section, and the Secretary shall by regulations prescribe such tolerances to this limitation as may be reasonably necessary in good commercial practice.

SEC. 13808. BULK DISTILLED SPIRITS.

(a) IN GENERAL.—Section 5212 is amended by adding at the end the following sentence:

"In the case of distilled spirits transferred in bond after December 31, 2017, and before January 1, 2020, this section shall apply without regard to whether distilled spirits are bulk distilled spirits."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distilled spirits removed after December 31, 2017.

Subpart B—Miscellaneous Provisions

SEC. 13821. MODIFICATION OF TAX TREATMENT OF ALASKA NATIVE CORPORATIONS AND SETTLEMENT TRUSTS.

(a) EXCLUSION FOR ANCSA PAYMENTS ASSIGNED TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Part III of chapter 14 of title 18, United States Code, (Alaska Native Claims Settlement Act, 43 U.S.C. 1601 et seq.), including any payment that would otherwise be made to a Village Corporation pursuant to section 9(i) of the Alaska Native Claims Settlement Act (43 U.S.C. 1606(j)), provided that any such payments—

(i) are assigned in writing to a Village Corporation, and

(ii) were not received by such Native Corporation prior to the assignment described in paragraph (1).
‘‘(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) SCOPE OF ASSIGNMENT.—The amount and scope of any assignment under subsection (a) shall be described with reasonable particularity and may either be in a percentage of one or more such payments or in a fixed dollar amount.

‘‘(d) DURATION OF ASSIGNMENT; REVOCATION.—An assignment under subsection (a) shall expire—

‘‘(1) a duration either in perpetuity or for a period of time, and

‘‘(2) whether such assignment is revocable.

‘‘(e) PROHIBITION ON DEDUCTION.—Notwithstanding section 247, no deduction shall be allowed to a Native Corporation for purposes of any amounts described in subsection (a).

‘‘(f) DEFINITIONS.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning given such terms under section 646(h).

(2) CONFORMING AMENDMENT.—The table of sections for part III of subchapter B of chapter 1 is amended by inserting before the item relating to section 10 the following new item:

“Sec. 139G. Assignments to Alaska Native Settlement Trusts.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2016.

(b) DEDUCTION OF CONTRIBUTIONS TO ALASKA NATIVE SETTLEMENT TRUSTS.—

(1) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by inserting before section 248 the following new section:

“Sec. 247. Contributions to Alaska Native Settlement Trusts.

(a) IN GENERAL.—In the case of a Native Corporation, there shall be allowed a deduction for any contributions made by such Native Corporation to a Settlement Trust (regardless of whether an election under section 646 is in effect for such Settlement Trust) for which the Native Corporation has made an annual election under subsection (e).

(b) AMOUNT OF DEDUCTION.—The amount of the deduction under subsection (a) shall be equal to—

‘‘(1) in the case of a cash contribution (regardless of the method of payment, including curtailment, or carryover, or check), the amount of such contribution, or

‘‘(2) in the case of a contribution not described in paragraph (1), the lesser of—

‘‘(A) the Native Corporation’s adjusted basis in the property contributed, or

‘‘(B) the fair market value of the property immediately before such contribution, or

‘‘(C) the amount of any amounts included in gross income for any such property described in subsection (a) in each of the 15 succeeding years in order of time.

(c) WITHHOLD.—For purposes of this section, the terms ‘Native Corporation’ and ‘Settlement Trust’ have the same meaning given such terms under section 646(h).

(d) LIMITATION AND CARRYOVER.—

‘‘(1) IN GENERAL.—Subject to paragraph (2), the deduction allowed under subsection (a) for any taxable year shall not exceed the taxable year’s earnings and profits of such Native Corporation which the election under subsection (e) of section 247 applies, or

‘‘(2) whether such election to have effect solely for such taxable year.

(e) 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. 1602(m))) which has made a contribution to a Settlement Trust (as defined in subsection (i) 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,
SEC. 13823. OPPORTUNITY ZONES.

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

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''(a) Q UALIFIED OPPORTUNITY ZONE DEFINED.—For the purposes of this subchapter, the term ‘qualified opportunity zone’ means a population census tract that is a low-income community that is designated as a qualified opportunity zone.
''(b) 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 if—
''(i) the Secretary designates the tract for designation as a qualified opportunity zone, and
''(ii) the Secretary certifies that the tract meets the conditions described in subsection (c).
''(2) EXTENSION OF PERIODS.—A governor may request that the Secretary extend either the determination or consideration period, or both (determined without regard to this subparagraph), for an additional 30 days.
''(c) OTHER DEFINITIONS.—For purposes of this subsection—
''(1) LOW-INCOME COMMUNITIES.—The term ‘low-income community’ has the same meaning as when used in section 45E.
''(2) DEFINITION OF PERIOD.—(A) IN GENERAL.—For purposes of this section, the term ‘determination period’ means the 30-day period beginning on the date on which the Secretary receives notice under subsection (b)(1)(A) of the Secretary's decision under this section.
''(B) EXTENSION OF PERIODS.—The term ‘determination period’ means the 90-day period beginning on the date of the enactment of the Tax Cuts and Jobs Act, as extended under subsection (b)(2).
''(3) STATE.—For purposes of this section, the term ‘State’ includes any possession of the United States.

(b) AIRCRAFT MANAGEMENT SERVICES.—For purposes of subparagraph (A), the term ‘aircraft management services’ includes—

''(1) maintenance and support of the aircraft owner’s aircraft,
''(2) flights on the aircraft owner’s aircraft,
''(3) aircraft management services related to—
''(i) assisting an 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 pilot services,
''(v) establishing and complying with safety standards, and
''(vi) such other services as are necessary to support flights operated by an aircraft owner.

(c) LESSOR TREATED AS AIRCRAFT OWNER.—

''(1) IN GENERAL.—A person is treated as an aircraft owner under paragraph (1) if—
''(i) the person leases the aircraft to another person, and
''(ii) the person is designated as a lessor under subsection (a) of the amendment made by this section.

(d) DISQUALIFIED LEASE.—For purposes of clause (i), the term ‘disqualified lease’ means a lease from a lessor to a lessee, or any person which (but for this subsection) is subject to the tax imposed by section 4271, on any amounts paid by a lessee for aircraft management services related to—

''(1) maintenance and support of the aircraft owner’s aircraft,
''(2) flights on the aircraft owner’s aircraft,
''(3) aircraft management services related to—
''(i) assisting an 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 pilot services,
''(v) establishing and complying with safety standards, and
''(vi) such other services as are necessary to support flights operated by an aircraft owner.

(e) LESSOR TREATED AS AIRCRAFT OWNER.—

''(1) IN GENERAL.—For purposes of this paragraph, the term ‘aircraft owner’ includes a person who leases the aircraft other than under a disqualified lease.

(f) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid after the date of the enactment of this Act.
(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 (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 corporation, and

(III) during substantially all of the corporate holding period for such stock, such corporation was being organized for purposes of being a qualified opportunity zone business, and

(ii) the term ‘qualified opportunity zone stock’ includes any stock of any qualified opportunity zone corporation if—

(I) such stock is acquired by the taxpayer after December 31, 2017, from the corporation solely in exchange for cash,

(II) as of the time such stock was acquired, such corporation was a qualified opportunity zone corporation (or, in the case of a partnership, such partnership was being organized for purposes of being a qualified opportunity zone business), and

(iii) during substantially all of the tax years of such corporation, such partnership qualified as a qualified opportunity zone business.

(C) QUALIFIED OPPORTUNITY ZONE PARTNERSHIP INTEREST.—The term ‘qualified opportunity zone partnership interest’ means any capital or profits interest in a domestic partnership if—

(i) any 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, and

(iii) during substantially all of the partnership’s holding period for such interest, such partnership qualified as a qualified opportunity zone business.

(D) QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY.—

(i) 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, at its original issue (directly or through an underwriter) from the corporation in a transaction/exchange that is taxable under section 1031 of the Internal Revenue Code of 1986, and

(II) the original use of such property in the qualified opportunity zone commences with the taxpayer or the taxpayer substantially improves the property, and

(ii) during substantially all of the tax years of such property, substantially all of the use of such property was in a qualified opportunity zone.

E. SUBSTANTIAL IMPROVEMENT.—For purposes of subparagraph (A)(ii), property shall be treated as substantially improved by the taxpayer only if, during any 30-month period beginning after the date of acquisition of such property, additions to basis with respect to such property in the hands of the taxpayer exceed an amount equal to the adjusted basis of such property at the beginning of such 30-month period in the hands of the taxpayer.

F. RELATED PARTIES.—For purposes of subparagraph (A)(i), the related person rule of section 179(d)(2) shall be applied pursuant to paragraph (8) of this subsection in lieu of the application of such rule in section 179(d)(2).

3. 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 property used or held 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 144(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.

(C) APPLICABLE RULES.—

(i) TREATMENT OF INVESTMENTS WITH MIXED FUNDS.—In the case of any investment in a qualified opportunity fund made by a related person, the related person rule of section 1202(c)(3) shall apply for purposes of this paragraph.

(ii) RELATED PERSONS.—For purposes of this section, persons are related to each other if—

(A) the excess of—

(1) the present value of the qualified opportunity zone business property held by the shareholder or the shareholder’s related persons, over

(2) the present value of the qualified opportunity zone business property held by the qualified opportunity zone business as of the close of the taxable year of the qualified opportunity zone business,

is in effect—

(B) as of the close of the taxable year of the qualified opportunity zone business, and

(C) the qualified opportunity zone business is in effect—

(1) 5 years after the date on which such qualified opportunity zone business property ceases to be qualified opportunity zone business, or

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

(D) UNRELATED PERSON.—For purposes of subparagraph (A)(ii), the term ‘unrelated person’ means a United States shareholder with respect to such corporation which is a United States shareholder with respect to such foreign corporation, there shall be allowed as an deduction an amount equal to the foreign-source portion of such dividend.

(E) SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION.—For purposes of paragraphs (1) and (2), 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.

(F) EXCLUSION OF PASSIVE FOREIGN INVESTMENT COMPANIES.—Such term shall not include any specified 10-percent owned foreign investment company (as defined in section 1297) with respect to the shareholder and which is not a controlled foreign corporation.

(G) FOREIGN-SOURCE PORTION.—For purposes of this section—

(i) IN GENERAL.—The foreign-source portion of any dividends received from a specified 10-percent owned foreign corporation is the portion of such dividend which bears the same ratio to such dividend as—

(A) the undistributed foreign earnings of the specified 10-percent owned foreign corporation bears to

(B) the total undistributed earnings of the specified 10-percent owned foreign corporation, bears to

(ii) the term ‘undistributed foreign earnings’ means the amount of the earnings and profits of the specified 10-percent owned foreign corporation (computed in accordance with sections 964(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.

(H) UNDISTRIBUTED FOREIGN EARNINGS.—The term ‘undistributed foreign earnings’ means the portion of the undistributed earnings which is attributable to neither—

(A) income described in subparagraph (A) of section 245(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, ET CETERA.—

"(1) In General.—No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any distribution 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 this section 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 such section (determined without regard to subparagraph (A)) applies is a United States shareholder receives a hybrid dividend from any other controlled foreign corporation with respect to which such section (determined without regard to subparagraph (A)) applies, then, notwithstanding any other provision of this title—

(A) the hybrid dividend shall be treated for purposes of section 951(a)(1) as part 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 share’s pro rata share (determined in the same manner as under section 951(a)(2)) of the part F income described in subparagraph (A).

"(3) Denial of Foreign Tax Credit, Etc.—The rules of subsection (b) 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 Purging Distributions of Passive Foreign Investment Companies.—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—

(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), if, in the case of a dividend paid on or after December 31, 2017, 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 Receiving.—

"(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 961(e) is amended by striking ‘‘or 245’’ and inserting ‘‘, 245(a), or 245A’’.

"(3) Coordination with Section 1093.—Subparagraph (B) of section 1093(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 striking ‘‘or 245A’’ and inserting—

"(5) Treatment of Dividends for Which Deduction Is Allowed Under Section 245A.—

For purposes of this paragraph, the taxpayer shall be treated as holding the stock described in subsection (a) with respect to which a domestic corporation is a United States shareholder from a controlled foreign corporation in which the dividend was received, and

"(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.

"(ii) paragraph (2) is applied—

(A) in the same manner as if such subpart F income were a dividend received by a United States shareholder from a 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 without regard to subparagraph (A)) of the foreign-source portion of any dividend for purposes of applying section 245A.

"(e) Conforming Amendments.—

(1) Subsection (b) of section 951 is amended—

(A) in the case of a sale or exchange after December 31, 2017, any amount is treated as a dividend if the consideration received for the taxable year of the shareholder with respect to which such dividend was received is at least equal to the shareholder’s proportionate share of the earnings and profits of the selling controlled foreign corporation at the time of such sale or exchange.

(B) the hybrid dividend shall be treated for purposes of section 245A(a) as part F income of the receiving controlled foreign corporation for the taxable year of the controlled foreign corporation in which the dividend was received, and

(C) the hybrid dividend shall be treated for purposes of section 245A as part F income of the selling controlled foreign corporation for the taxable year of the sale or exchange.

(2) Subsection (a) of section 957 is amended by striking ‘‘or 245’’ and inserting—

"(B) assets generating tax-exempt portion of dividend not taken into account in allocating and apportioning deductible expenses.

(3) Coordination with Section 1093.—Subparagraph (B) of section 1093(b)(2) is amended by striking ‘‘or 245’’ and inserting ‘‘, 245, or 245A’’.

(f) Effective Date.—The amendments made by this subsection shall apply to dividends received in taxable years beginning after December 31, 2017.

(g) Application of Holding Period Requirement.—Subsection (c) of section 246 is amended by adding at the end the following new paragraph:

‘‘(1) Coordination With Dividends Received Deduction.—In the case of the sale or exchange of a foreign corporation stock in a foreign corporation held for 1 year or more, any amount is treated as a dividend if the controlled foreign corporation which is treated as a dividend by reason of this section shall be treated as a dividend for purposes of applying section 245A.

(2) Basis in Specified 10-Percent Owned Foreign Corporation Reduced by Nontaxable Portion of Dividend for Purposes of Determining Loss.—If a domestic corporation receives a dividend from a specified 10-percent owned foreign corporation (as defined in section 245A) in any taxable year, solely for purposes of determining loss on any disposition of stock of such foreign corporation in such taxable year or any subsequent taxable year, the basis of such domestic corporation in such stock shall be reduced (but not below zero) by the amount allocable to such domestic corporation under section 245A with respect to such stock.’’.

(h) Effective Date.—The amendments made by this subsection shall apply to dividends received in taxable years beginning after December 31, 2017.

(i) Sale by a CFC of a Lower Tier CFC.—Section 966(e) is amended by adding at the end the following new paragraph:

‘‘(4) Coordination With Dividends Received Deduction.—

(i) In General.—If, for any taxable year of a controlled foreign corporation beginning after December 31, 2017, any amount is treated as a dividend under paragraph (1) by reason of a sale or exchange of a foreign corporation 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 part 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 under clause (i) the amount allocable to 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 proportionate 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 included in gross income under clause (i) in the same manner as if such subpart F income were a dividend received by the shareholder from the selling controlled foreign corporation.

(j) 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.

(k) 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 245A(c)(2)."

(d) TREATMENT OF FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS—

(1) IN GENERAL.—Part II of subchapter B of chapter 1 is amended by adding at the end the following new section:

"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 936(a)(3)(C), as in effect before the date of enactment of the Tax Cuts and Jobs Act) to a specified 10-percent owned foreign corporation, the amount of the stock in such foreign corporation with respect to which the taxpayer is a United States shareholder after such transfer, such domestic corporation shall include in gross income for the taxable year in which such transfer an amount equal to the transferred loss amount with respect to such transfer.

(2) 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) for any taxable year shall not exceed the amount allowed as a deduction under section 245A for such taxable year.

"(2) AMOUNTS NOT INCLUDED CARRIED FORWARD.—If the amount described in paragraph (1) is not included in gross income for any taxable year by reason of paragraph (1) shall, subject to the application of subsection (a), be treated as income transferred for purposes of section 952, such increase shall be attributable to the same activity to which the deduction referred to in subclause (I) is attributable.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transfers after December 31, 2017.

SEC. 91B. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION.

(a) IN GENERAL.—Section 965 is amended to read as follows:

"SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION.

"(a) TREATMENT OF DEFERRED FOREIGN INCOME AS SUBPART F INCOME.—In the case of the last taxable year of a deferred income corporation which begins before January 1, 2018, the subpart F income of such foreign corporation (as otherwise determined for such taxable year under section 952) shall be increased by the greater of—

"(1) the accumulated post-1986 deferred foreign income of such corporation determined as of November 9, 2017, or

"(2) the accumulated post-1986 deferred foreign income of such corporation determined as of December 31, 2017.

"(b) REDUCTION OF AMOUNTS INCLUDED IN GROSS INCOME OF UNITED STATES SHAREHOLDERS OF SPECIFIED FOREIGN CORPORATION WITH DEFICITS IN EARNINGS AND PROFITS.—

"(1) IN GENERAL.—In the case of a taxpayer which is a United States shareholder with respect to at least one deferred foreign income corporation and at least one E&P deficit foreign corporation, the amount which would (but for this subsection) be taken into account under section 951(a)(1) by reason of subparagraph (A) of section 952(b) shall be reduced by the following:

"(A) the sum of losses—

"(i) which were incurred by the foreign branch after December 31, 2017, and before the transfer, and

"(ii) with respect to which a deduction was allowed to the taxpayer, over

"(B) any taxable income of such branch for a taxable year of the foreign branch which the tax year of which the loss was incurred and through the close of the taxable year of the transfer, and

"(C) any amount which is recognized under section 958(d)(2)(C) as the amount of the transfer.

"(2) 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)).

(3) BASIS ADJUSTMENTS.—Consistent with such regulations or other guidance as the Secretary shall prescribe, proper adjustments shall be made to the basis of the property transferred, to reflect amounts included in gross income under this section.

(4) CHERICAL AMENDMENT.—The table of sections in the chapter of the Tax Cuts and Jobs Act (such as section 1 of such Act) 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.

"(II) the amount determined under paragraph (2)(B).

"(II) ALLOCATION OF DEFICIT.—If the amount described in clause (i)(II) is less than the amount described in clause (i)(I) then the shareholder shall designate, in such form and manner as the Secretary determines—

"(1) the amount of the specified E&P deficit which is to be taken into account for each E&P deficit corporation with respect to the taxpayer, and

"(2) in the case of an E&P deficit corporation which has a qualified deficit (as defined in section 952(a)), the portion (if any) of the deficit taken into account under clause (I) which is attributable to a qualified deficit, including the quality characteristics to which such portion is attributable.

"(B) E&P DEFICIT FOREIGN CORPORATION.—The term 'E&P deficit foreign corporation' means, with respect to any taxpayer, any specified foreign corporation with respect to which the taxpayer is a United States shareholder, if—

"(i) such specified foreign corporation has a deficit in post-1986 earnings and profits, and

"(ii) as of November 9, 2017, such corporation was a specified foreign corporation, and

"(B) such taxpayer was a United States shareholder of such corporation.

"(II) such taxpayer was a United States shareholder of such corporation.

"(C) SPECIFIED FOREIGN CORPORATION.—The term 'specified foreign corporation' means, with respect to any E&P deficit foreign corporation, the amount of the deficit referred to in subparagraph (B), and for purposes of section 952, such increase shall be attributable to the same activity to which the amount so taken into account was attributable.

"(3) APPLICATION OF PARTICIPATION EXEMPTION TO INCLUDED INCOME.—

"(1) IN GENERAL.—In the case of a United States shareholder of a deferred foreign income corporation, there shall be allowed as a deduction for the taxable year in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section an amount equal to the sum of—

"(A) 76.6 percent of the excess (if any) of—

"(i) the amount so included as gross income, over

"(ii) the amount of such United States shareholder's aggregate foreign cash position, if any.

"(B) 86.6 percent of so much of the amount described in subparagraph (A)(ii) as does not exceed the amount described in subparagraph (A)(i).

"(2) AGGREGATE FOREIGN CASH POSITION.—For purposes of this subsection—"
“(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 such United States shareholder determined 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 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:

(1) Personal property which is of a type that is readily marketable and for which there is an established financial market (other than stock in the specified foreign corporation).

(2) Commercial paper, certificates of deposit, or other obligations of the Federal government and 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 asset described in subparagraphs (I) through (III).

(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) of subparagraph (B) shall not be taken into account if such amounts so taken into account by such United States shareholder with respect to another specified foreign 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 of such United States shareholder for purposes of this subsection, such transaction shall be disregarded for purposes of this subsection.

(1) 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 of such United States shareholder which has accumulated post-1986 deferred foreign income (and by treating such specified foreign corporation as a controlled foreign corporation).

(II) Accumulated post-1986 deferred foreign income.—The term ‘accumulated post-1986 deferred foreign income’ means the post-1986 earnings and profits in excess of the amount determined by treating such specified foreign corporation as having post-1986 deferred foreign income (as of the close of the taxable year referred to in subsection (a)(1)) greater than zero.

(2) Anti-abuse.—If the Secretary determines that a principal purpose of any transaction was to reduce the aggregate foreign cash position taken into account under this section—

(A) 0.736 multiplied by the ratio of—

(i) the sum of such excess plus the amount to which subsection (c)(1)(B) applies, plus

(ii) the sum described in subparagraph (A)(ii).

(B) 0.556 multiplied by the ratio of—

(i) the amount to which subsection (c)(1)(B) applies, plus

(ii) the sum described in subparagraph (A)(ii).

(3) Denial of deduction.—No deduction shall be allowed under this chapter for any tax credit which is not attributable to 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 credit is not allowable under section 901 by reason of paragraph (1).

(5) Election to pay liability in installments.—

(I) In general.—In the case of a United States shareholder of a deferred foreign income corporation, such United States shareholder may elect to pay the net tax liability under this section in 8 installments of the following amounts:

(A) 8 percent of the net tax liability in the case of each of the first 5 of such installments,

(B) 15 percent of the net tax liability in the case of the 6th such installment,

(C) 20 percent of the net tax liability in the case of the 7th such installment, and

(D) 25 percent of the net tax liability in the case of the 8th such installment.

(II) Date for payment of installments.—If an election is made under paragraph (1), the first installment shall be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year described in subsection (a) and each succeeding installment shall be paid on the due date (as so determined) for the return of tax for the taxable year following the taxable year with respect to which the preceding installment was made.

(III) Acceleration of payment.—If there is an addition to tax for failure to timely pay any installment required under this section, a liquidation of or sale of substantially all of 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 subsection in the same manner as if such buyer were the taxpayer.

(IV) Proration of deficiency to installments.—If the aggregate of the sum of the installments due 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 determined by the seller of such stock which has not arrived shall be collected at the same time as, and as a part of, such installment. The part of the deficiency so prorated to any installment shall be determined by the seller of such stock which has arrived shall be paid upon notice and demand from the Secretary. This subsection shall not apply if the deficiency is due to negligence or intentional disregard of rules and regulations, or to fraud with intent to evade tax.

(5) ELECTION.—Any election under paragraph (1) shall be made not later than the due date for the return of tax for the taxable year described in subsection (a) and shall be made in such manner as the Secretary shall provide.

(6) NET TAX LIABILITY UNDER THIS SECTION.—For purposes of this subsection—

(A) any tax with respect to an installment of interest on such liability shall be assessed on such return as an addition to tax in the taxpayer’s taxable year which includes the due date for the return of the tax for the taxable year in which the triggering event with respect to such liability occurs.

(B) any tax with respect to such liability shall be paid not later than such due date (but determined with reasonable extension of time for filing the return), and

(C) the Secretary, if an election under subsection (h) with respect to such liability shall be made not later than such due date (but determined with reasonable extension of time for filing the return), and

(D) the triggering event with respect to such net tax liability is described in paragraph (2) (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 not be required to include in gross income any amount attributable to a dividend to the corporation 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, the amount of which has been deferred, that is included in such shareholder’s return of tax for the taxable year for which such election is made and any amount attributable thereto.

(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 assessed on the taxpayer an additional tax of 5 percent of such amount.

(8) ELECTION.—Any election under paragraph (7) —

(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 2nd taxable year following the taxable year in which such shareholder was treated as a shareholder of the S corporation.

(b) shall be made in such manner as the Secretary shall provide.

(c) REPORTING BY S CORPORATION.—Each S corporation which is a United States shareholder of a specified foreign corporation shall report in its return of tax under section 6037(a) the amount includible in its gross income for such taxable year by reason of this section and the amount allowable by subsection (b). Any copy provided to a shareholder under section 6037(b) shall include a statement of such shareholder’s pro rata share of such amounts.

(k) EXTENSION OF LIMITATION ON ASSESSMENT.—Notwithstanding section 6501, the limitation on the time period for the assessment of net tax liability under this section (as defined in subsection (b)(6)) shall not expire before the date that is 6 years after the return for the taxable year described in such subsection was filed.

(l) 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—

(A) the tax imposed by this chapter shall be increased for the first taxable year in which such shareholder was treated as an expatriated entity by an amount equal to 35 percent of the amount of the deduction allowed to the specified foreign corporation under subsection (c), and

(b) no credits shall be allowed against the increase in tax under subparagraph (A).

(2) EXPATRIATED ENTITY.—For purposes of this paragraph, a ‘specified foreign corporation’ with respect to which such amount is taken into account under section 877(b)(4), except that such term shall not include an entity if the surrogate for purposes of section 956(d) is a trust for purposes of applying paragraphs (2) and (3) of section 865(c) to any taxable year for which such amount is taken into account under section 956(a)(1).

(m) SPECIAL RULES FOR UNITED STATES SHAREHOLDERS WHICH ARE REAL ESTATE INVESTMENT TRUSTS.—

(1) IN GENERAL.—If a real estate investment trust is a United States shareholder in a foreign deferred foreign income corporation—

(A) any amount required to be taken into account under section 861(a)(1) by reason of this section shall be included in gross income as gross income of the real estate investment trust for purposes of applying paragraphs (2) and (3) of section 865(c) to any taxable year for which such amount is taken into account under section 865(a)(1), and

(b) the real estate investment trust elects the application of this subparagraph, the ‘withholding subsection (a), any amount required to be taken into account under section 851(a)(1) by reason of this section shall, in lieu of the taxable year in which it would otherwise be included in gross income, be included in gross income for purposes of the computation of real estate investment trust taxable income under section 857(b), be included in gross income as follows—

(i) 8 percent of such amount in the case of each of the taxable years in the 5-taxable year period beginning with the taxable year in which such amount would otherwise be included.

(ii) 15 percent of such amount in the case of the 1st taxable year following such period.

(iii) 20 percent of such amount in the case of the 2nd taxable year following such period.

(iv) 25 percent of such amount in the case of the 3rd taxable year following such period.

(v) 30 percent of such amount in the case of the 4th taxable year following such period.

(vi) 35 percent of such amount in the case of the 5th taxable year following such period.

(2) RULES FOR TRUSTS ELECTING DEFERRED INCLUSION.—
(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 (4) 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 real estate investment trust, the following rules shall apply:

(i) APPLICATION OF PARTICIPATION EXEMPTION.—For purposes of subsection (c)(1)—

(1) The aggregate amount to which subparagraph (A) or (B) of subsection (c)(1) applies shall be determined without regard to the election.

(2) Any such aggregate amount shall be allocated to each taxable year described in paragraph (1)(B) in the same proportion as the amount included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section is allocated to each such taxable year.

(iii) 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 lapse of 20 years (or any shorter period of substantial denial of 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) ELECTION NOT TO APPLY NET OPERATING LOSS DEDUCTION.—

(1) IN GENERAL.—If a United States shareholder holds or has held a net operating loss carryover or carryback to such taxable year under section 172, the amount of the net operating loss deduction under section 172 of such shareholder for such taxable year, or

(2) AMOUNT DESCRIBED.—The amount described in this paragraph shall not be taken into account—

(A) in determining the amount of the net operating loss deduction under section 172 of such shareholder for such taxable year, or

(B) (in the case of a domestic corporation which chooses to have the benefits of subpart F of part III of subchapter N of chapter 1) by reason of this section is allocable to each taxable year described in paragraph (1)(B).

(3) ELECTION.—Any election under this subsection shall be made not later than the due date (including extensions) for filing the return of tax for the taxable year and shall be made in such manner as the Secretary shall prescribe.

(c) CLERICAL AMENDMENT.—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 956 and inserting in its place the following new item:

"Sec. 956. Treatment of deferred foreign income upon transition to participation exemption system of taxation.

Subpart B—Rules Related to Passive and Mobile Income

CHAPTER 1—TAXATION OF FOREIGN-DETERMINED INTANGIBLE INCOME AND GLOBAL INTANGIBLE LOW-TAXED INCOME

SEC. 14991. CURRENT YEAR INCLUSION OF GLOBAL INTANGIBLE LOW-TAXED INCOME BY UNITED STATES SHAREHOLDERS.

(a) In General.—(1) In general.—(A) In determining the amount of the net CFC tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for any taxable year of such United States shareholder a specified tested income return for such taxable year or 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—

(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) TESTED INCOME; TESTED LOSS.—For purposes of this section—

(i) IN GENERAL.—The term 'tested income' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of the amount described in subparagraph (A) over the amount described in subparagraph (B).

(ii) COORDINATION WITH SUBPART F TO DENY DOUBLE BENEFIT OF LOSSES.—Section 957(c) shall be applied by taking into account the earnings and profits of the controlled foreign corporation by the tested loss of such corporation.

(iii) QUALIFIED BUSINESS ASSET INVESTMENT.—For purposes of this section—

(1) IN GENERAL.—The term 'qualifying business asset investment' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the average of the aggregate of the corporation's tested income and the tested loss of such corporation for such taxable year.

(iv) DETERMINATION OF PRO RATA SHARE, ETC.—For purposes of this section—

(A) IN GENERAL.—The term 'specified qualified business asset investment' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the average of the aggregate of the corporation's tested income and the tested loss of such corporation for such taxable year.

(B) DUAL USE PROPERTY.—In the case of property used both in a trade or business and in a real property business, the term 'qualified business asset investment' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the average of the aggregate of the corporation's tested income and the tested loss of such corporation for such taxable year.

(2) ACCOUNTING RULES.—In the case of a financial asset, the excess (if any) of the tested income of such controlled foreign corporation with respect to which such shareholder is a United States shareholder for any taxable year of such United States shareholder, the excess (if any) of—

(A) the aggregate of such shareholder's pro rata share of the tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder, over

(B) the aggregate of such shareholder's pro rata share of the tested loss of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder.

(3) DETERMINATION OF ADJUSTED BASIS.—For purposes of this section, the adjusted basis of such property, or any portion thereof, shall be determined by taking into account the amount of the net CFC tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder.

(e) DETERMINATION OF PRO RATA SHARE, ETC.—For purposes of this section—

(1) IN GENERAL.—The term 'tested income' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of—

(i) the gross income of such corporation determined without regard to—

(A) any item of income described in section 952(b),

(ii) any gross income taken into account in determining the subpart F income of such corporation,

(iii) any gross income excluded from the foreign base company income (as defined in section 954) and the insurance income (as defined in section 954) of such corporation by reason of section 954(b)(4),

(iv) any dividend received from a related person (as defined in section 954(d)(3)), and

(v) any foreign oil and gas extraction income (as defined in section 965) of such corporation, over

(ii) the deductions (including taxes) properly allocable to such gross income under rules similar to the rules of section 954(b)(5).

(B) TESTED LOSS.—

(i) IN GENERAL.—The term 'tested loss' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of the amount described in subparagraph (A) over the amount described in subparagraph (B).

(2) ACCOUNTING RULES.—In the case of a financial asset, the excess (if any) of the tested income of such controlled foreign corporation with respect to which such shareholder is a United States shareholder for any taxable year of such United States shareholder, over

(A) the aggregate of such shareholder's pro rata share of the tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder, over

(B) the aggregate of such shareholder's pro rata share of the tested loss of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder.

(3) DETERMINATION OF ADJUSTED BASIS.—For purposes of this section, the adjusted basis of such property transferred or held, temporarily, or

(B) the avoidance of the purposes of this paragraph is a factor in the transfer or holding of such property.

(4) REGULATIONS.—The Secretary shall issue such regulations or other guidance as the Secretary determines appropriate to prevent the avoidance of the purposes of this subsection, including regulations or other guidance which provide for the treatment of property in which such property is transferred, or held, temporarily, or

(B) the avoidance of the purposes of this paragraph is a factor in the transfer or holding of such property.

(e) DETERMINATION OF PRO RATA SHARE, ETC.—For purposes of this section—

(1) IN GENERAL.—If a controlled foreign corporation incurs a loss attributable to the transfer or holding of property and the Secretary determines that such transfer or holding are related to the avoidance of the purposes of this subsection, including regulations or other guidance which provide for the treatment of property in which such property is transferred, or held, temporarily, or

(B) the avoidance of the purposes of this paragraph is a factor in the transfer or holding of such property.
"(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 such corporation's share 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 taxable year of the controlled foreign corporation ends.

"(2) TREATMENT AS UNITED STATES SHAREHOLDER.—For purposes of paragraph (1), a person that is 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)(2)) stock in such foreign corporation on the last day, in such year, on which such foreign corporation is a controlled foreign corporation.

"(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) IN GENERAL.—Except as provided in subparagraph (B), any global intangible low-taxed income included in gross income under subsection (a) shall be treated in the same manner for purposes of section 951(a)(1)(A) for purposes of applying sections 199(a)(2)(B), 533(b)(10), 951(b), 951(d), 996(d)(1), 1248(b)(1), 1249(b)(1), 1249(d)(1), 6501(a)(1)(C), 6564(d)(2)(D), and 6565(e)(4).

"(B) EXCEPTION.—The Secretary shall provide rules for the application of subparagraph (A) 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 subsection (a), the portion of such global intangible low-taxed income which is treated as being with respect to such controlled foreign corporation is—

"(A) in the case of a controlled foreign corporation with no tested income, zero, and

"(B) in the case of a controlled foreign corporation with tested income, the portion of such global intangible low-taxed income which bears the same ratio to such global intangible low-taxed income as—

"(i) United States shareholder's pro rata amount of the tested income of such controlled foreign corporation, bears to

"(ii) the aggregate amount described in subsection (a) with respect to such United States shareholder.

"(b) FOREIGN TAX CREDIT.

"(1) APPLICATION OF DEEMED PAID FOREIGN TAX CREDIT.—Section 960 is amended adding at the end the following new subsection:

"(d) DEEMED PAID CREDIT FOR TAXES PROPERLY ATTRIBUTABLE TO TESTED INCOME.—

"(1) IN GENERAL.—In the case of a domestic corporation for any taxable year, there shall be allowed as a deduction an amount equal to the sum of—

"(A) 35.7 percent of the foreign-derived intangible income of such domestic corporation for such taxable year, plus

"(B) 50 percent of the global intangible low-taxed income amount (if any) which is includible in the income of such domestic corporation under section 951A for such taxable year,

"(2) LIMITATION BASED ON TAXABLE INCOME.—

"(A) IN GENERAL.—If, for any taxable year—

"(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), exceeds

"(ii) the taxable income of the domestic corporation (determined without regard to this section),

"(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), and

"(ii) the global intangible low-taxed income amount shall be reduced by the remainder of such excess.

"(3) 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—

"(B) 37.5 percent for '50 percent' in subparagraph (A), and

"(B) 37.5 percent for '50 percent' in subparagraph (B).

"SEC. 250. FOREIGN-DERIVED INTANGIBLE INCOME.—For purposes of this section—

"(1) IN GENERAL.—The foreign-derived intangible income of any domestic corporation is the amount which bears the same ratio to the foreign-derived 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 this subsection—

"(A) IN GENERAL.—The term 'deemed intangible income' means 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' of the corporation means, with respect to any corporation, an amount equal to 10 percent of the corporation's qualified business asset investment (as defined in section 904(d)(3)), reduced by substituting 'deduction eligible income for 'tested income' in paragraph (2) thereof).

"(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) any financial services income (as defined in section 904(d)(2)(D)) of such corporation which is not described in clause (ii),

"(IV) any dividend received from a corporation which is a controlled foreign corporation of such domestic corporation,

"(V) any domestic oil and gas extraction income of such domestic corporation,

"(VI) any foreign branch income (as defined in section 904(d)(2)(D)), over

"(B) APPLICATION TO DOMESTIC CORPORATION EXTRACTING 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
For purposes of this subsection, the term ‘foreign use’ means any use, consumption, or disposition which is not within the United States.

(B) Property or services provided to a related party who is not a United States person, or with respect to property, not located within the United States.

(C) Special rules with respect to related party transactions.

(I) Property. If a taxpayer sells property to another person (other than a related party) for further manufacture or other modification therein that is carried out 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. If a taxpayer provides services to another person (other than a related party) located within the United States, such services shall not be treated as described in paragraph (4)(B) even if such other person uses such services in providing services which are so described.

(II) 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—

(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) the Secretary 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.

For purposes of this paragraph, the term ‘related party’ means any member of an affiliated group as defined in section 1594(a), determined before the date of enactment of this section and with respect to which such distribution is described in this section if the distribution—

(I) received by a domestic corporation from a controlled foreign corporation with respect to which such corporation is a United States shareholder, and

(II) made by the controlled foreign corporation before the last day of the third taxable year beginning after December 31, 2017.

(C) Intangible Property. For purposes of this subsection, the term ‘intangible property’ includes—

(A) property, described in section 936(c)(3)(B) or which is computer software described in section 197(e)(3)(B),

(b) Conforming Amendments.

(1) Section 197(c)(2)(B)(i) is amended by inserting ‘‘966(a),’’ after ‘‘731,’’.

(2) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by adding at the end the following new item:

‘‘Sec. 966. Transfers of intangible property to United States shareholders.’’

(c) Effective Date. The amendments made by this section shall apply to transfers of intangible property to United States shareholders in which the United States shareholder is a direct or indirect 10 percent owner of such property. In the case of transfers made after December 31, 2017, the term ‘‘property’’ in section 954(d)(3) shall be interpreted as if it included the following:

‘‘Property’’ includes any right or interest in a foreign entity that is a United States shareholder—

(A) directly or indirectly through one or more intermediate foreign entities, or

(B) that holds its stock in the foreign entity through an intermediate foreign entity or subsidiary of such entity, or

(C) that holds its stock in the foreign entity through an intermediate foreign entity or subsidiary of such entity, or

(D) owned by the United States shareholder directly or indirectly through one or more intermediate foreign entities.

(5) Definition of Entity. —For purposes of this chapter, the term ‘‘entity’’ includes a person (other than a corporation) and a group (including any entity treated as a member of such group by reason of this section) or controls any such member. For purposes of paragraphs (2) through (4), control shall be determined under the rules of section 954(d)(3).
(B) Section 851(b) is amended by striking “section 951(a)(1)(A)’’ in the flush language at the end and inserting “section 951(a)(1)’’.

(C) Section 952(c)(1)(B)(1) is amended by striking “section 951(a)(1)(A)’’ and inserting “section 951(a)(1)’’.

(D) Section 953(c)(1)(C) is amended by striking “section 951(a)(1)(A)’’ and inserting “section 951(a)(1)’’.

(Section 961(a) is amended by striking paragraph (3).

(4) Corporation (d)(4)(B)(1)(v)(II) is amended by striking “or amounts referred to in clause (ii) or (iii) of section 951(a)(1)”.

(4) Section 966(b) is amended by striking “, 655’’.

(5) Section 970 is amended by striking subsection (b).

(6) The table of sections for subpart F of part III of chapter N of this title is amended by striking the item relating to section 955.

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

(1) The taxable years of foreign corporations beginning before January 1, 2018, and to taxable years of United States shareholders with or within December 31, 2017, and 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:

`(n) 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 disregarded 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, over—
``(II) the amount referred to in paragraph (1) of section 1504(b) of the undergroundScaled code.

`(ii) 110 percent of the amount which the excess domestic indebtedness of such group bears to the total indebtedness of the domestic corporations which are members of such group.

`(C) Total Domestic Indebtedness.—For purposes of subparagraph (A), the term ‘total domestic indebtedness’ means the amount equal to—

``(I) the sum of the money and all other assets of such corporations, reduced (but not below zero) by
``(II) the total indebtedness of such group.

`(D) Special Rules for Determining Debt and Equity.—

`(ii) 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 the 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 indebtedness of 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 ‘110 percent’ in applying subparagraph (B)(ii):

``(i) in the case of a taxable year beginning in the calendar year 2018, 120 percent;``
``(ii) in the case of a taxable year beginning in the calendar year 2019, 125 percent;``
``(iii) in the case of a taxable year beginning in the calendar year 2020, 130 percent;``
``(iv) in the case of a taxable year beginning in the calendar year 2021, 135 percent;``
``(v) in the case of a taxable year beginning in the calendar year 2022, 140 percent;``
``(vi) in the case of a taxable year beginning in the calendar year 2023, 150 percent.

`(F) 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) Net 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, over
``(ii) the amount of interest includible in the gross income of such taxpayer for such taxable year.

`(C) The Secretary shall by regulations provide for adjustments in determining the amount of net interest expense if necessary.

`(D) 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.

`(E) Regulations.—The Secretary shall prescribe such regulations or other guidance as may be appropriate to carry out the purposes of this subsection, 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, and
``(C) providing for the coordination of this subsection with section 884.
Congressional Record — Senate
December 1, 2017

S7800

“(D) providing for the reallocation of shares of partnership indebtedness, or distributive shares of the partnership’s interest in income or interest expense, and
“(E) taking into account the coordination with the limitation under subsection (j).”.

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

SEC. 14222. LIMITATIONS ON INCOME SHIFTING THROUGH INTANGIBLE PROPERTY TRANSFERS.

(a) Definition of Intangible Asset.—Section 936(h)(3)(B) is amended—
“(1) by striking “or” at the end of clause (V),
“(2) by striking clause (VI) and inserting the following:
“(VI) any goodwill, going concern value, or workforce in place (including its composition and terms and conditions (contractual or otherwise) of its employment); or
“(vii) any other item the value or potential value of which is not attributable to tangible property or the services of any individual.”, and
“(3) by striking the flush language after clause (vii), as added by paragraph (2).

(b) Clarification of Allowable Valuation Methods.—

(1) Foreign Corporations.—Section 367(d)(2) is amended by adding at the end the following new subparagraph:
“(D) Regulatory Authority.—For purposes of this subsection, and for purposes of the last sentence of subparagraph (A), the Secretary shall require—
“(i) the valuation of transfers of intangible property, including 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 transfers.”.

(2) Allocation Among Taxpayers.—Section 482 is amended by adding at the end the following provisions:
“(a) Cases in which the disqualified related party amount is reported to a related party as a disqualified related party amount by another party shall be treated for purposes of this section, including regulations or other guidance provided 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 as subject to subsection (a),
“(4) rules for treating a tax preference as an exclusion from income for purposes of applying subsection (b)(1) 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 that is distributed or paid to a related party as a disqualified related party amount if such amount is subject to a participation exemption system or other system which provides for the deduction or taxation 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.

(b) Disqualified Related Party Amount.—For purposes of this section—
“(1) Disqualified Related Party Amount.—The term ‘disqualified related party amount’ means any interest or royalty paid or accrued to a related party to the extent that—
“(A) such amount is not included in the income of such related party under the tax law of such country,
“(B) such related party is allowed a deduction with respect to such amount under the tax law of such country.

Such term shall not include any payment to the extent such payment is included in the gross income of a United States shareholder under section 951(a).

(b) Clarification of Allowable Valuation Methods.—

(1) Foreign Corporations.—Section 987(a)(5)(B) 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, arrangements or multiple 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 the foreign country of which the recipient of such payment is resident for tax purposes or is subject to tax.

(c) Hybrid Transactions.—For purposes of this section, the term ‘hybrid entity’ means any entity which is either—
“(1) treated as fiscally transparent for purposes of this chapter but not so treated for purposes of the tax law of the foreign country of which the entity is resident for tax purposes or is subject to tax, or
“(2) treated as fiscally transparent for purposes of such tax law but not so treated for purposes of this chapter.

(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) the effect of reducing the generally applicable statutory rate by 25 percent or more,
“(2) the effect of reducing the generally applicable statutory rate by 25 percent or more,
“(3) the effect of reducing the generally applicable statutory rate by 25 percent or more.

(f) Definitions.—In this section—
“(a) In General.—For purposes of this section—
“(1) the term ‘hybrid transaction’ means any transaction, series of transactions, arrangements or multiple 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 the foreign country of which the entity is resident for tax purposes or is subject to tax.

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

SEC. 14224. SHARING OF INCOME FROM 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 entity amount and inserting “shall not include any foreign corporation amount”.

(b) Clarifying Amendment.—The table of sections for part IX of chapter B of chapter 1 is amended by inserting after the item relating to section 267 the following new item:
“(2) 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. 14234. SHARE INCOME FROM FOREIGN CORPORATIONS NOT ELIGIBLE FOR REDUCED RATE ON DIVIDENDS.

(a) In General.—Section 892(c)(1)(B) is amended—
“(1) by striking “shall not include any foreign corporation” and inserting “shall not include any foreign entity”.

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

Subtitle 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 chapter 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 section 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:
“(c) Deemed Paid Credit for Subpart F Inclusions.—
“(1) 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 which is treated as a dividend or other deemed paid dividend with respect to a 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.

(c) 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 which such controlled foreign corporation is excluded from gross income under section 959(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 under this section for the taxable year or any prior taxable year.

“(2) Tiered Controlled Foreign Corporations.—If section 959(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, and

(B) have not been deemed to have been paid by a domestic corporation under this section for any prior taxable year.

(2) and by the income tax after subsection (d) (as added by section 14201) the following new subsections:

(d) 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.

(1) 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 DEEMED PAID FOREIGN TAX CREDIT.

‘If a domestic corporation chooses to have the benefits of part subpart A of part III of subchapter N (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 of 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 951(a), and

‘(2) an amount equal to the aggregate tested foreign income taxes deemed paid by such corporation under section 960(b)(4) of such taxable year 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.

(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 excess of the aggregate tested foreign income taxes deemed paid by such corporation under section 960(b)(4) of such taxable year of foreign corporations (computed in accordance with sections 964(a) and 965) accumulated in taxable years beginning after December 31, 1986.

‘(A) as of the close of the taxable year of the foreign corporation in which the dividend is distributed, and

‘(B) as determined by reason of dividends distributed during such taxable year.’.

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

(c) CONFORMING AMENDMENT.—Section 904(d)(2)(A)(ii), as added by section 14201, is amended by striking ‘‘income described in paragraphs (1)(A) and (B)’’ and inserting ‘‘income described in paragraph (1)(A), foreign branch income and’’.

(a) IN 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 985(a) in 1 or more foreign countries.

(1) EXCEPTION.—Such term shall not include any income which is passive category income.

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

SEC. 14303. ACCELERATION OF ELECTION TO ALLOCATE 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)(6) is amended by adding at the end the following: ‘‘Gains, profits, and income from any sale 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.
(a) In general.—Section 904(g) is amended by adding at the end the following new paragraph:

"(3) INCREASED RATE FOR CERTAIN BANKS AND SECURITIES DEALERS.—

"(A) In general.—In the case of an applicable taxpayer described in subparagraph (B) for the taxable year,

"(i) paragraphs (1)(A) and (2)(A) shall each be applied by substituting '11 percent' for '10 percent', and

"(ii) paragraph (2)(A) shall be applied by substituting '13.5 percent' for '12.5 percent'. 

"(B) TAXPAYER DESCRIBED.—An applicable taxpayer is described in this subparagraph if such taxpayer is a member of an affiliated group (as defined in section 1590(a)(1)) which includes—

"(i) a bank (as defined in section 591), or

"(ii) a registered securities dealer under section 15(a) of the Securities Exchange Act of 1934.

"(c) MODIFIED TAXABLE INCOME.—For purposes of this section—

"(1) In general.—The term 'modified taxable income' means the 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 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 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 1441 or 1442, shall not be taken into account in computing modified taxable income under paragraph (1)(A) or the base erosion percentage under paragraph (4).

"(2) EXCEPTION.—The amount not taken into account in computing modified taxable income by reason of clause (i) shall be reduced under rules similar to the rules under section 163(j)(5)(B) (as in effect before the date of the enactment of the Tax Cuts and Jobs Act).

"(3) Special rules for determining interest for which deduction allowed.—For purposes of applying paragraph (1), in the case of a taxpayer to which subsection (j) or (n) of section 163 applies for the taxable year, the reduction in the amount of interest for which deduction is allowed by reason of such subsection shall be treated as allocable first to interest paid or accrued to persons who are not related parties with respect to the services cost method under section 482 (determined without regard to the requirement that the services not contribute significantly to the production or efficient operation of the services cost method under section 482) and then to such related parties.

"(4) Base erosion percentage.—For purposes of paragraph (1)(B)—

"(A) In general.—The term 'base erosion percentage' means, for any taxable year, the percentage determined by dividing—

"(i) the aggregate amount of 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)(ii) shall be determined—

"(i) by taking into account any deduction allowed under section 172, 245A, or 250 for the taxable year.

"(D) 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 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 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) Certain payments to expatriated entities.—

"(A) In general.—Such term shall also include any amount paid or accrued by the taxpayer to a surrogate foreign corporation with respect to any base erosion payment by such taxpayer to a person described in subparagraph (B) which results in a reduction of the gross receipts of the taxpayer.

"(B) Person described.—A person is described in this subparagraph if such person is—

"(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 a surrogate foreign corporation.

"(C) Definitions.—For purposes of this paragraph—

"(i) Surrogate foreign corporation.—The term 'surrogate foreign corporation' has the meaning given such term by section 7874(a)(2) but does not include a foreign corporation treated as a domestic corporation under section 7874(b).

"(ii) 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 the services cost method under section 482 (determined without regard to the requirement that the services not contribute significantly to fundamental risks of business success or failure), 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 taxpayer described in such paragraph if such taxpayer is a member of an affiliated group (as defined in section 1590(a)(1)) which includes—

"(i) a bank (as defined in section 591), or

"(ii) a registered securities dealer under section 15(a) of the Securities Exchange Act of 1934.
"(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 subsection (a) and which are taken into account for purposes of paragraph (1) and which are taken into account in determining income which is effectively connected with the conduct of a trade or business within the United States shall be taken into account in the case of a taxpayer which is a foreign person, the preceding sentence shall not apply to the gross receipts of any United States person which are aggregated with the taxpayer’s gross receipts by reason of paragraph (3).

(B) Other rules made applicable.—Rules analogous to the rules of subparagraphs (B), (C), and (D) of section 48(c)(3) shall apply in determining gross receipts for purposes of this section.

(3) 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 1563(b)(2)(C) shall be disregarded.

(4) RELATED PARTY.—For purposes of this section—

(1) in general.—The term ‘related party’ means, with respect to any applicable transaction, any person who—

(A) is a member of the same controlled group as the taxpayer,

(B) is a domestic branch of a foreign person, or

(C) is a foreign branch of a United States person, or

(D) is an American depositary receipt (as defined in section 1297), or

(E) is a related person to the taxpayer, or

(F) is a shareholder of the taxpayer.

(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 318 to apply.—Section 318 shall apply for purposes of paragraphs (1) and (2), except that—

(A) ‘10 percent’ shall be substituted for ‘50 percent’ in section 318(a)(2)(C), and

(B) subparagraphs (A), (B), and (C) of section 318(a)(3) shall not be applied as so to constitute a United States person as owning stock which is owned by a person who is not a United States person.

(h) Exception for certain payments made in the ordinary course of trade or business.—For purposes of this section—

(1) in general.—Except as provided in paragraph (3), any qualified derivative payment shall not be treated as a base erosion payment.

(2) Qualified derivative payment.—

(A) in general.—The term ‘qualified derivative payment’ means any payment made by a taxpayer pursuant to a derivative with respect to which the taxpayer—

(i) recognizes gain or loss as if such derivative were sold for its fair market value on the last business day of the taxable year (and such additional times as required by this title or the taxpayer’s method of accounting),

(ii) treats any gain or loss so recognized as ordinary, and

(iii) treats the character of all items of income, loss, deduction, and credit with respect to a payment pursuant to the derivative as ordinary.

(B) Reporting requirement.—No payments shall be treated as qualified derivative payments under subparagraph (A) for any taxable year unless the taxpayer includes in the gross receipts of such year the reportable payments under section 6038B(b)(2) with respect to such taxable year such information as is necessary to identify the payments to be so treated, in which case the Secretary determines necessary to carry out the provisions of this subsection.

(2) Exceptions for payments otherwise treated as reportable payments.—This subsection shall not apply to any qualified derivative payment if—

(A) the payment would be treated as a base erosion payment not made pursuant to a derivative, including any interest, royalty, or service payment, or

(B) in the case of a contract which has derivative and nonderivative components, the payment is properly allocable to the non-derivative component.

(4) derivative defined.—For purposes of this subsection—

(A) in general.—The term ‘derivative’ means any contract (including any option, forward contract, futures contract, short position, swap, interest rate swap, total return swap, or total return forward contract, and any other contract (including any option, forward contract, futures contract, short position, swap, interest rate swap, total return swap, or total return forward contract) entered into by a taxpayer pursuant to a derivative 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) Treatment of American Depository Receipts and similar instruments.—Except as otherwise provided by the Secretary, for purposes of this part, American Depository Receipts shall be disregarded with respect to shares of stock in foreign corporations shall be treated as shares of stock in such foreign corporations.

(1) 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—

(i) providing for such adjustments to the application of this section as are necessary to prevent the avoidance of the purposes of this section, including through—

(A) the use of unrelated persons, conduit transactions, or other intermediaries, or

(B) transactions or arrangements designed, in whole or in part, to—

(i) characterize payments otherwise subject to this section as payments not subject to this section, or

(ii) to substitute payments not subject to this section for payments otherwise subject to this section and

(ii) 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,

(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 subparagraph (A) and 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 minimum tax, and base erosion tax payments and 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 6082(a) are each amended by striking "$10,000" and inserting "$52,000".

(c) Disallowance of credits against base erosion tax.—Paragraph (2) of section 6655(e)(2), as amended by section 13001, is amended by inserting the following paragraph (b) following the previous paragraph:

(b) section 59A (relating to base erosion anti-abuse tax).".

(d) Conforming amendments.—

(1) The table of parts for chapter 1 of title 26 is amended by adding after the part relating to part VI the following new item:

Part VII. Base erosion and anti-abuse tax.

(2) Paragraph (1) of section 882(a), as amended by this Act, is amended by inserting “or 59A,” after “59A,”.

(3) Subparagraph (A) of section 6425(c)(1), as amended by section 13001, is amended to read as follows:

(A) the sum of—

(i) the tax imposed by section 59A, over—

(4)A Subparagraph (A) of section 6655(g)(1), as amended by section 13001, is amended by striking “plus at the end of clause (1), by redrafting clause (ii) as clause (iii), and by inserting after clause (i) the following new clause:

(3) the tax imposed by section 59A, plus—

(B) Subparagraphs (A)(i) and (B)(i) of section 6655(e)(2), as amended by section 13001, are each amended by inserting “and modified taxable income” after “taxable income”.

(C) Subparagraph (B) of section 6655(e)(2) is amended by adding 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)."

(4) Effective date.—The amendments made by this section shall apply to the taxable years beginning after 2017.

PART III—OTHER PROVISIONS

SEC. 14501. RESTRICTION ON INSURANCE BUSINESS TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) In general.—Section 1297(b)(2)(B) is amended to read as follows:

(2) Derived in the active conduct of an insurance business by a qualifying insurance company (as defined in subsection (b))."

(2) Qualified investment defined.—Section 1297 is amended by adding at the end the following new subsection:
made by this section shall apply to taxable
TIONS.—If a corporation fails to qualify as a
CUMSTANCES TEST FOR CERTAIN CORPORA -
scribed in subparagraph (A) is provided.''.

(A) which would be subject to tax under subchapter L if such corporation were a do-
merica state corporation, and
(B) in which case the insurance liabilities of
which constitute more than 25 percent of its
total assets, determined on the basis of such
liabilities and assets as reported on the cor-
poration's applicable financial statement for
the last year ending with or within the taxable
year and

(2) ALTERNATIVE FACTS AND CIR-
CUMSTANCES.—If a corporation fails to qualify as a
qualified insurance corporation under par-
agraph (1) solely because the percentage de-
termined under paragraph (1)(B) is 25 percent
or less, a United States person that owns
stock in such corporation may elect to treat
such stock as stock of a qualifying insurance
corporation if

(A) the percentage so determined for the
corporation is at least 10 percent, and
(B) under regulations provided by the
Secretary, based on the applicable facts and
circumstances—

(i) the corporation is predominantly en-

gaged in an insurance business, and
(ii) the requirement described in subparagraph (A) is satisfied by the Secretary.

(3) APPLICABLE INSURANCE LIABIL-
ITIES.—For purposes of this subsection—

(A) IN GENERAL.—The term 'applicable
insurance liabilities' means, with respect to
any life or property and casualty insurance
organization, all net premium receipts, all
loss and loss adjustment expenses, and all
contingency reserves (other than deficiency,
interest, or unearned premium reserves) for
life insurance risks and all morbidity risks.

(5) ROYALTIES.—Notwithstanding the Min-
istry of Energy shall draw down and sell from the Stra-
ategic Petroleum Reserve, and authorize up to 2,000 surface acres of Federal
land on the Coastal Plain to be covered by production and support facilities (including airports, roads, and services covered by gravel
berms or piers for support of pipelines) dur-
ing the term of the leases under the oil and
gas program under this section.

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 Of-

fice 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.—Section 1003 of the Alaska
National Interest Lands Conservation Act (16
U.S.C. 3183) shall not apply to the Coastal
Plain.

(2) ESTABLISHMENT.—
(A) IN GENERAL.—The Secretary shall es-

dablish and administer a competitive oil and
gas program for the leasing, development,
production, and support facilities (including
airports and infrastructure including run-
way and berms or piers for support of pipelines)
during the term of the leases under the oil and
gas program under this section.

SEC. 20002. LIMITATIONS ON AMOUNT OF DIS-
TRIBUTED QUALIFIED OUTER CON-
TINENTAL SHELF REVENUES.
Section 161(1) of the Gulf of Mexico En-
ergy Security Act of 2006 (43 U.S.C. 1311 note; Public Law 109-432) is amended by striking ''exceed—
(C) $500,000,000 for each of fiscal years 2020
through 2024; and
(C) $500,000,000 for each of fiscal years 2022
and 2023; and
(C) $500,000,000 for each of fiscal years 2022
through 2025.''

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. 6211), except as provided in
subsections (b) and (c), the Secretary of
Energy shall draw down and sell from the Stra-
tategic Petroleum Reserve 7,000,000 barrels of
crude oil during the period of fiscal years
2026 through 2027.

(2) DISPOSAL OF AMOUNTS RECEIVED FROM SALE.—Amounts received under paragraph (1) shall be deposited in the gen-
eral fund of the Treasury for disposal during the fiscal year in which the sale occurs.

(3) LIMITATION.—The Secretary of Energy
shall not drawdown and sell crude oil under subsection (a) in a quan-
tity that would limit the authority to sell petroleum products under subsection (b) of
section 161 of the Energy Policy and Con-

servative Act (42 U.S.C. 6211) in the full quantity authorized thereunder.
SA 1856. Mr. MERKLEY proposed an amendment to amendment SA 1816 pro-
posed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MUR-
kowski)) 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 fol-
Leg.
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 1816 pro-
posed by Mr. MCCONNELL (for Mr. HATCH (for himself and Ms. MUR-
kowski)) 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 fol-
Leg.

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:

SEC. 11033. SENSE OF THE SENATE ON PRE-
VENTING TAX INCREASES ON GRAD-UATE STUDENTS.

It is the sense of the Senate that—

(1) employer-provided tuition assistance is a critical resource for workers seeking to improve job skills and strengthen the econ-
omy, and
(2) employer-provided tuition assistance should not be treated as taxable income.

PRIVILEGES OF THE FLOOR

Mr. CASPER. Mr. President, I ask unanimous consent that the resolution be

COMMEMORATING THE 62ND ANNIV-
ERSARY 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

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