

1                   “(ii) may be deducted or charged to  
2                   capital account.”.

3           (b) *CERTAIN CAPITALIZED INTEREST NOT TREATED*  
4 *AS BUSINESS INTEREST.*—Section 163(j)(5) is amended by  
5 adding at the end the following new sentence: “Such term  
6 shall not include any interest which is capitalized under  
7 section 263(g) or 263A(f).”.

8           (c) *REGULATORY AUTHORITY.*—Section 163(j), as  
9 amended by subsection (a), is amended by redesignating  
10 paragraphs (11) and (12) as paragraphs (12) and (13) and  
11 by inserting after paragraph (10) the following:

12                   “(11) *REGULATORY AUTHORITY.*—The Secretary  
13 shall issue such regulations or guidance as may be  
14 necessary or appropriate to carry out the purposes of  
15 this subsection, including regulations or guidance to  
16 determine which business interest is taken into ac-  
17 count under this subsection and section 59A(c)(3).”.

18           (d) *EFFECTIVE DATE.*—The amendments made by this  
19 section shall apply to taxable years beginning after Decem-  
20 ber 31, 2025.

21 **SEC. 70342. DEFINITION OF ADJUSTED TAXABLE INCOME**  
22 **FOR BUSINESS INTEREST LIMITATION.**

23           (a) *IN GENERAL.*—Subparagraph (A) of section  
24 163(j)(8) is amended—

1           (1) *by striking “and” at the end of clause (iv),*  
 2       *and*

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

5                       “(vi) *the amounts included in gross in-*  
 6                       *come under sections 951(a), 951A(a), and*  
 7                       *78 (and the portion of the deductions al-*  
 8                       *lowed under sections 245A(a) (by reason of*  
 9                       *section 964(e)(4)) and 250(a)(1)(B) by rea-*  
 10                      *son of such inclusions), and”.*

11       (b) *EFFECTIVE DATE.—The amendments made by this*  
 12       *section shall apply to taxable years beginning after Decem-*  
 13       *ber 31, 2025.*

14       **PART V—OTHER INTERNATIONAL TAX REFORMS**

15       **SEC. 70351. PERMANENT EXTENSION OF LOOK-THRU RULE**  
 16                       **FOR RELATED CONTROLLED FOREIGN COR-**  
 17                       **PORATIONS.**

18       (a) *IN GENERAL.—Section 954(c)(6)(C) is amended by*  
 19       *striking “and before January 1, 2026,”.*

20       (b) *EFFECTIVE DATE.—The amendment made by this*  
 21       *section shall apply to taxable years of foreign corporations*  
 22       *beginning after December 31, 2025.*

1 **SEC. 70352. REPEAL OF ELECTION FOR 1-MONTH DEFERRAL**  
 2 **IN DETERMINATION OF TAXABLE YEAR OF**  
 3 **SPECIFIED FOREIGN CORPORATIONS.**

4 (a) *IN GENERAL.*—Section 898(c) is amended by strik-  
 5 ing paragraph (2) and redesignating paragraph (3) as  
 6 paragraph (2).

7 (b) *EFFECTIVE DATE.*—The amendments made by this  
 8 section shall apply to taxable years of specified foreign cor-  
 9 porations beginning after November 30, 2025.

10 (c) *TRANSITION RULE.*—

11 (1) *IN GENERAL.*—In the case of a corporation  
 12 that is a specified foreign corporation as of November  
 13 30, 2025, such corporation’s first taxable year begin-  
 14 ning after such date shall end at the same time as the  
 15 first required year (within the meaning of section  
 16 898(c)(1) of the Internal Revenue Code of 1986) end-  
 17 ing after such date. If any specified foreign corpora-  
 18 tion is required by the amendments made by this sec-  
 19 tion to change its taxable year for its first taxable  
 20 year beginning after November 30, 2025—

21 (A) such change shall be treated as initiated  
 22 by such corporation,

23 (B) such change shall be treated as having  
 24 been made with the consent of the Secretary, and

25 (C) the Secretary shall issue regulations or  
 26 other guidance for allocating foreign taxes that

1           are paid or accrued in such first taxable year  
 2           and the succeeding taxable year among such tax-  
 3           able years in the manner the Secretary deter-  
 4           mines appropriate to carry out the purposes of  
 5           this section.

6           (2) *SECRETARY.*—For purposes of this sub-  
 7           section, the term “Secretary” means the Secretary of  
 8           the Treasury or the Secretary’s delegate.

9   **SEC. 70353. RESTORATION OF LIMITATION ON DOWNWARD**  
 10                   **ATTRIBUTION OF STOCK OWNERSHIP IN AP-**  
 11                   **PLYING CONSTRUCTIVE OWNERSHIP RULES.**

12           (a) *IN GENERAL.*—Section 958(b) is amended—

13                   (1) by inserting after paragraph (3) the fol-  
 14           lowing:

15                   “(4) Subparagraphs (A), (B), and (C) of section  
 16           318(a)(3) shall not be applied so as to consider a  
 17           United States person as owning stock which is owned  
 18           by a person who is not a United States person.”, and

19                   (2) by striking “Paragraph (1)” in the last sen-  
 20           tence and inserting “Paragraphs (1) and (4)”.

21           (b) *FOREIGN CONTROLLED UNITED STATES SHARE-*  
 22           *HOLDERS.*—Subpart F of part III of subchapter N of chap-  
 23           ter 1 is amended by inserting after section 951A the fol-  
 24           lowing new section:

1 **“SEC. 951B. AMOUNTS INCLUDED IN GROSS INCOME OF**  
 2 **FOREIGN CONTROLLED UNITED STATES**  
 3 **SHAREHOLDERS.**

4 “(a) *IN GENERAL.*—*In the case of any foreign con-*  
 5 *trolled United States shareholder of a foreign controlled for-*  
 6 *foreign corporation—*

7 “(1) *this subpart (other than sections 951A,*  
 8 *951(b), and 957) shall be applied with respect to such*  
 9 *shareholder (separately from, and in addition to, the*  
 10 *application of this subpart without regard to this sec-*  
 11 *tion)—*

12 “(A) *by substituting ‘foreign controlled*  
 13 *United States shareholder’ for ‘United States*  
 14 *shareholder’ each place it appears therein, and*

15 “(B) *by substituting ‘foreign controlled for-*  
 16 *foreign corporation’ for ‘controlled foreign corpora-*  
 17 *tion’ each place it appears therein, and*

18 “(2) *section 951A (and such other provisions of*  
 19 *this subpart as provided by the Secretary) shall be*  
 20 *applied with respect to such shareholder—*

21 “(A) *by treating each reference to ‘United*  
 22 *States shareholder’ in such section as including*  
 23 *a reference to such shareholder, and*

24 “(B) *by treating each reference to ‘con-*  
 25 *trolled foreign corporation’ in such section as in-*

1           *cluding a reference to such foreign controlled for-*  
 2           *ign corporation.*

3           “(b) *FOREIGN CONTROLLED UNITED STATES SHARE-*  
 4 *HOLDER.*—*For purposes of this section, the term ‘foreign*  
 5 *controlled United States shareholder’ means, with respect*  
 6 *to any foreign corporation, any United States person which*  
 7 *would be a United States shareholder with respect to such*  
 8 *foreign corporation if—*

9           “(1) *section 951(b) were applied by substituting*  
 10       *‘more than 50 percent’ for ‘10 percent or more’, and*  
 11       “(2) *section 958(b) were applied without regard*  
 12       *to paragraph (4) thereof.*

13       “(c) *FOREIGN CONTROLLED FOREIGN CORPORA-*  
 14 *TION.*—*For purposes of this section, the term ‘foreign con-*  
 15 *trolled foreign corporation’ means a foreign corporation,*  
 16 *other than a controlled foreign corporation, which would*  
 17 *be a controlled foreign corporation if section 957(a) were*  
 18 *applied—*

19       “(1) *by substituting ‘foreign controlled United*  
 20 *States shareholders’ for ‘United States shareholders’,*  
 21 *and*

22       “(2) *by substituting ‘section 958(b) (other than*  
 23 *paragraph (4) thereof)’ for ‘section 958(b)’.*

24       “(d) *REGULATIONS.*—*The Secretary shall prescribe*  
 25 *such regulations or other guidance as may be necessary or*

1 appropriate to carry out the purposes of this section, in-  
 2 cluding regulations or other guidance—

3 “(1) to treat a foreign controlled United States  
 4 shareholder or a foreign controlled foreign corporation  
 5 as a United States shareholder or as a controlled for-  
 6 eign corporation, respectively, for purposes of provi-  
 7 sions of this title other than this subpart (including  
 8 any reporting requirement), and

9 “(2) with respect to the treatment of foreign con-  
 10 trolled foreign corporations that are passive foreign  
 11 investment companies (as defined in section 1297).”.

12 (c) CLERICAL AMENDMENT.—The table of sections for  
 13 subpart F of part III of subchapter N of chapter 1 is  
 14 amended by inserting after the item relating to section 951A  
 15 the following new item:

“Sec. 951B. Amounts included in gross income of foreign controlled United States  
 shareholders.”.

16 (d) EFFECTIVE DATE.—The amendments made by this  
 17 section shall apply to taxable years of foreign corporations  
 18 beginning after December 31, 2025.

19 (e) SPECIAL RULE.—

20 (1) IN GENERAL.—Except to the extent provided  
 21 by the Secretary of the Treasury (or the Secretary’s  
 22 delegate), the effective date of any amendment to the  
 23 Internal Revenue Code of 1986 shall be applied by  
 24 treating references to United States shareholders as

1       *including references to foreign controlled United*  
 2       *States shareholders, and by treating references to con-*  
 3       *trolled foreign corporations as including references to*  
 4       *foreign controlled foreign corporations.*

5               (2) *DEFINITIONS.*—*Any term used in paragraph*  
 6       (1) *which is used in subpart F of part III of sub-*  
 7       *chapter N of chapter 1 of the Internal Revenue Code*  
 8       *of 1986 (as amended by this section) shall have the*  
 9       *meaning given such term in such subpart.*

10       (f) *NO INFERENCE.*—*The amendments made by this*  
 11       *section shall not be construed to create any inference with*  
 12       *respect to the proper application of any provision of the*  
 13       *Internal Revenue Code of 1986 with respect to taxable years*  
 14       *beginning before the taxable years to which such amend-*  
 15       *ments apply.*

16       **SEC. 70354. MODIFICATIONS TO PRO RATA SHARE RULES.**

17       (a) *IN GENERAL.*—*Subsection (a) of section 951 is*  
 18       *amended to read as follows:*

19               “(a) *AMOUNTS INCLUDED.*—

20               “(1) *IN GENERAL.*—*If a foreign corporation is a*  
 21       *controlled foreign corporation at any time during a*  
 22       *taxable year of the foreign corporation (in this sub-*  
 23       *section referred to as the ‘CFC year’)—*

24               “(A) *each United States shareholder which*  
 25       *owns (within the meaning of section 958(a))*



1        *stock in such corporation on any day during the*  
 2        *CFC year shall include in gross income such*  
 3        *shareholder’s pro rata share (determined under*  
 4        *paragraph (2)) of the corporation’s subpart F*  
 5        *income for the CFC year, and*

6                *“(B) each United States shareholder which*  
 7        *owns (within the meaning of section 958(a))*  
 8        *stock in such corporation on the last day, in the*  
 9        *CFC year, on which such corporation is a con-*  
 10       *trolled foreign corporation shall include in gross*  
 11       *income the amount determined under section 956*  
 12       *with respect to such shareholder for the CFC*  
 13       *year (but only to the extent not excluded from*  
 14       *gross income under section 959(a)(2)).*

15                *“(2) PRO RATA SHARE OF SUBPART F INCOME.—*  
 16       *A United States shareholder’s pro rata share of a con-*  
 17       *trolled foreign corporation’s subpart F income for a*  
 18       *CFC year shall be the portion of such income which*  
 19       *is attributable to—*

20                *“(A) the stock of such corporation owned*  
 21       *(within the meaning of section 958(a)) by such*  
 22       *shareholder, and*

23                *“(B) any period of the CFC year during*  
 24       *which—*

1                   “(i) such shareholder owned (within  
2                   the meaning of section 958(a)) such stock,

3                   “(ii) such shareholder was a United  
4                   States shareholder of such corporation, and

5                   “(iii) such corporation was a con-  
6                   trolled foreign corporation.

7                   “(3) TAXABLE YEAR OF INCLUSION.—Any  
8                   amount required to be included in gross income by a  
9                   United States shareholder under paragraph (1) with  
10                  respect to a CFC year shall be included in gross in-  
11                  come for the shareholder’s taxable year which includes  
12                  the last day on which the shareholder owns (within  
13                  the meaning of section 958(a)) stock in the controlled  
14                  foreign corporation during such CFC year.

15                  “(4) REGULATORY AUTHORITY.—The Secretary  
16                  shall prescribe such regulations or other guidance as  
17                  may be necessary or appropriate to carry out the  
18                  purposes of this subsection, including regulations or  
19                  other guidance allowing taxpayers to elect, or requir-  
20                  ing taxpayers, to close the taxable year of a controlled  
21                  foreign corporation upon a direct or indirect disposi-  
22                  tion of stock of such corporation.”.

23                  (b) COORDINATION WITH SECTION 951A.—

24                         (1) TESTED INCOME.—Section 951A(b), as redes-  
25                         ignated by section 70323(a)(2), is amended—

1           (A) in paragraph (1)(A), by striking “(de-  
 2           terminated for each taxable year of such controlled  
 3           foreign corporation which ends in or with such  
 4           taxable year of such United States shareholder)”,  
 5           and

6           (B) in paragraph (1)(B), by striking “(de-  
 7           terminated for each taxable year of such controlled  
 8           foreign corporation which ends in or with such  
 9           taxable year of such United States shareholder)”.

10          (2) *PRO RATA SHARE*.—Section 951A(c), as re-  
 11          designated by section 70323(a)(2), is amended—

12           (A) in paragraph (1), by striking “in which  
 13           or with which the taxable year of the controlled  
 14           foreign corporation ends” and inserting “deter-  
 15           mined under section 951(a)(3)”, and

16           (B) in paragraph (2), by striking “the last  
 17           day in the taxable year of such foreign corpora-  
 18           tion on which such foreign corporation is a con-  
 19           trolled foreign corporation” and inserting “any  
 20           day in such taxable year”.

21          (c) *EFFECTIVE DATES*.—

22           (1) *IN GENERAL*.—The amendments made by  
 23           this section shall apply to taxable years of foreign cor-  
 24           porations beginning after December 31, 2025.

1           (2) *TRANSITION RULE FOR DIVIDENDS.*—*Except*  
 2           *to the extent provided by the Secretary of the Treas-*  
 3           *ury (or the Secretary’s delegate), a dividend paid (or*  
 4           *deemed paid) by a controlled foreign corporation shall*  
 5           *not be treated as a dividend for purposes of applying*  
 6           *section 951(a)(2)(B) of the Internal Revenue Code of*  
 7           *1986 (as in effect before the amendments made by this*  
 8           *section) if—*

9                   (A) *such dividend—*

10                       (i) *was paid (or deemed paid) on or*  
 11                       *before June 28, 2025, during the taxable*  
 12                       *year of such controlled foreign corporation*  
 13                       *which includes such date and the United*  
 14                       *States shareholder described in section*  
 15                       *951(a)(1) of such Code (as so in effect) did*  
 16                       *not own (within the meaning of section*  
 17                       *958(a) of such Code) the stock of such con-*  
 18                       *trolled foreign corporation during the por-*  
 19                       *tion of such taxable year on or before June*  
 20                       *28, 2025, or*

21                       (ii) *was paid (or deemed paid) after*  
 22                       *June 28, 2025, and before such controlled*  
 23                       *foreign corporation’s first taxable year be-*  
 24                       *ginning after December 31, 2025, and*

1           (B) such dividend does not increase the tax-  
 2           able income of a United States person that is  
 3           subject to Federal income tax for the taxable year  
 4           (including by reason of a dividends received de-  
 5           duction, an exclusion from gross income, or an  
 6           exclusion from subpart F income).

7   **CHAPTER 4—INVESTING IN AMERICAN**  
 8       **FAMILIES, COMMUNITIES, AND SMALL**  
 9       **BUSINESSES**

10   **Subchapter A—Permanent Investments in**  
 11       **Families and Children**

12   **SEC. 70401. ENHANCEMENT OF EMPLOYER-PROVIDED**  
 13       **CHILD CARE CREDIT.**

14       (a) INCREASE OF AMOUNT OF QUALIFIED CHILD CARE  
 15   EXPENDITURES TAKEN INTO ACCOUNT.—Section 45F(a)(1)  
 16   is amended by striking “25 percent” and inserting “40 per-  
 17   cent (50 percent in the case of an eligible small business)”.

18       (b) INCREASE OF MAXIMUM CREDIT AMOUNT.—Sub-  
 19   section (b) of section 45F is amended to read as follows:

20       “(b) DOLLAR LIMITATION.—

21           “(1) IN GENERAL.—The credit allowable under  
 22       subsection (a) for any taxable year shall not exceed  
 23       \$500,000 (\$600,000 in the case of an eligible small  
 24       business).

1           “(2) *INFLATION ADJUSTMENT.*—*In the case of*  
 2           *any taxable year beginning after 2026, the \$500,000*  
 3           *and \$600,000 amounts in paragraph (1) shall each be*  
 4           *increased by an amount equal to—*

5                     “(A) *such dollar amount, multiplied by*  
 6                     “(B) *the cost-of-living adjustment deter-*  
 7                     *mined under section 1(f)(3) for the calendar year*  
 8                     *in which the taxable year begins, determined by*  
 9                     *substituting ‘calendar year 2025’ for ‘calendar*  
 10                    *year 2016’ in subparagraph (A)(ii) thereof.”.*

11           (c) *ELIGIBLE SMALL BUSINESS.*—*Section 45F(c) is*  
 12           *amended by adding at the end the following new paragraph:*

13                   “(4) *ELIGIBLE SMALL BUSINESS.*—*The term ‘eli-*  
 14                   *gible small business’ means a business that meets the*  
 15                   *gross receipts test of section 448(c), determined—*

16                   “(A) *by substituting ‘5-taxable-year’ for ‘3-*  
 17                   *taxable-year’ in paragraph (1) thereof, and*

18                   “(B) *by substituting ‘5-year’ for ‘3-year’ in*  
 19                   *paragraph (3)(A) thereof.”.*

20           (d) *CREDIT ALLOWED FOR THIRD-PARTY INTER-*  
 21           *MEDIARIES.*—*Section 45F(c)(1)(A)(iii) is amended by in-*  
 22           *serting “, or under a contract with an intermediate entity*  
 23           *that contracts with one or more qualified child care facili-*  
 24           *ties to provide such child care services” before the period*  
 25           *at the end.*

1       (e) *TREATMENT OF JOINTLY OWNED OR OPERATED*  
 2 *CHILD CARE FACILITY.*—Section 45F(c)(2) is amended by  
 3 adding at the end the following new subparagraph:

4               “(C) *TREATMENT OF JOINTLY OWNED OR*  
 5 *OPERATED CHILD CARE FACILITY.*—A facility  
 6 shall not fail to be treated as a qualified child  
 7 care facility of the taxpayer merely because such  
 8 facility is jointly owned or operated by the tax-  
 9 payer and other persons.”.

10       (f) *REGULATIONS AND GUIDANCE.*—Section 45F is  
 11 amended by adding at the end the following new subsection:

12       “(g) *REGULATIONS AND GUIDANCE.*—The Secretary  
 13 shall issue such regulations or other guidance as may be  
 14 necessary to carry out the purposes of this section, including  
 15 guidance to carry out the purposes of paragraphs  
 16 (1)(A)(iii) and (2)(C) of subsection (c).”.

17       (g) *EFFECTIVE DATE.*—The amendments made by this  
 18 section shall apply to amounts paid or incurred after De-  
 19 cember 31, 2025.

20 **SEC. 70402. ENHANCEMENT OF ADOPTION CREDIT.**

21       (a) *IN GENERAL.*—Section 23(a) is amended by add-  
 22 ing at the end the following new paragraph:

23               “(4) *PORTION OF CREDIT REFUNDABLE.*—So  
 24 much of the credit allowed under paragraph (1) as  
 25 does not exceed \$5,000 shall be treated as a credit al-

1        *lowed under subpart C and not as a credit allowed*  
 2        *under this subpart.”.*

3        *(b) ADJUSTMENTS FOR INFLATION.—Section 23(h) is*  
 4        *amended to read as follows:*

5        *“(h) ADJUSTMENTS FOR INFLATION.—*

6                *“(1) IN GENERAL.—In the case of a taxable year*  
 7        *beginning after December 31, 2002, each of the dollar*  
 8        *amounts in paragraphs (3) and (4) of subsection (a)*  
 9        *and paragraphs (1) and (2)(A)(i) of subsection (b)*  
 10        *shall be increased by an amount equal to—*

11                *“(A) such dollar amount, multiplied by*

12                *“(B) the cost-of-living adjustment deter-*  
 13        *mined under section 1(f)(3) for the calendar year*  
 14        *in which the taxable year begins, determined by*  
 15        *substituting ‘calendar year 2001’ for ‘calendar*  
 16        *year 2016’ in subparagraph (A)(ii) thereof.*

17                *“(2) ROUNDING.—If any amount as increased*  
 18        *under paragraph (1) is not a multiple of \$10, such*  
 19        *amount shall be rounded to the nearest multiple of*  
 20        *\$10.*

21                *“(3) SPECIAL RULE FOR REFUNDABLE POR-*  
 22        *TION.—In the case of the dollar amount in subsection*  
 23        *(a)(4), paragraph (1) shall be applied—*

24                *“(A) by substituting ‘2025’ for ‘2002’ in the*  
 25        *matter preceding subparagraph (A), and*



1                   “(B) by substituting ‘calendar year 2024’  
 2                   for ‘calendar year 2001’ in subparagraph (B)  
 3                   thereof.”.

4           (c) *EXCLUSION OF REFUNDABLE PORTION OF CREDIT*  
 5 *FROM CARRYFORWARD.*—Section 23(c)(1) is amended by  
 6 striking “credit allowable under subsection (a)” and insert-  
 7 ing “portion of the credit allowable under subsection (a)  
 8 which is allowed under this subpart”.

9           (d) *EFFECTIVE DATE.*—The amendments made by this  
 10 section shall apply to taxable years beginning after Decem-  
 11 ber 31, 2024.

12 **SEC. 70403. RECOGNIZING INDIAN TRIBAL GOVERNMENTS**  
 13 **FOR PURPOSES OF DETERMINING WHETHER**  
 14 **A CHILD HAS SPECIAL NEEDS FOR PURPOSES**  
 15 **OF THE ADOPTION CREDIT.**

16           (a) *IN GENERAL.*—Section 23(d)(3) is amended—  
 17                   (1) in subparagraph (A), by inserting “or In-  
 18                   dian tribal government” after “a State”, and  
 19                   (2) in subparagraph (B), by inserting “or In-  
 20                   dian tribal government” after “such State”.

21           (b) *EFFECTIVE DATE.*—The amendments made by this  
 22 section shall apply to taxable years beginning after Decem-  
 23 ber 31, 2024.

1 **SEC. 70404. ENHANCEMENT OF THE DEPENDENT CARE AS-**  
 2 **SISTANCE PROGRAM.**

3 (a) *IN GENERAL.*—Section 129(a)(2)(A) is amended  
 4 by striking “\$5,000 (\$2,500” and inserting “\$7,500  
 5 (\$3,750”.

6 (b) *EFFECTIVE DATE.*—The amendment made by this  
 7 section shall apply to taxable years beginning after Decem-  
 8 ber 31, 2025.

9 **SEC. 70405. ENHANCEMENT OF CHILD AND DEPENDENT**  
 10 **CARE TAX CREDIT.**

11 (a) *IN GENERAL.*—Paragraph (2) of section 21(a) is  
 12 amended to read as follows:

13 “(2) *APPLICABLE PERCENTAGE DEFINED.*—For  
 14 purposes of paragraph (1), the term ‘applicable per-  
 15 centage’ means 50 percent—

16 “(A) reduced (but not below 35 percent) by  
 17 1 percentage point for each \$2,000 or fraction  
 18 thereof by which the taxpayer’s adjusted gross in-  
 19 come for the taxable year exceeds \$15,000, and

20 “(B) further reduced (but not below 20 per-  
 21 cent) by 1 percentage point for each \$2,000  
 22 (\$4,000 in the case of a joint return) or fraction  
 23 thereof by which the taxpayer’s adjusted gross in-  
 24 come for the taxable year exceeds \$75,000  
 25 (\$150,000 in the case of a joint return).”.

1       (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 2 *section shall apply to taxable years beginning after Decem-*  
 3 *ber 31, 2025.*

4       ***Subchapter B—Permanent Investments in***  
 5       ***Students and Reforms to Tax-exempt In-***  
 6       ***stitutions***

7       ***SEC. 70411. TAX CREDIT FOR CONTRIBUTIONS OF INDIVID-***  
 8                               ***UALS TO SCHOLARSHIP GRANTING ORGANI-***  
 9                               ***ZATIONS.***

10       (a) *ALLOWANCE OF CREDIT FOR CONTRIBUTIONS OF*  
 11 *INDIVIDUALS TO SCHOLARSHIP GRANTING ORGANIZA-*  
 12 *TIONS.—*

13               (1) *IN GENERAL.*—*Subpart A of part IV of sub-*  
 14 *chapter A of chapter 1 is amended by inserting after*  
 15 *section 25E the following new section:*

16       ***“SEC. 25F. QUALIFIED ELEMENTARY AND SECONDARY EDU-***  
 17                               ***CATION SCHOLARSHIPS.***

18       ***“(a) ALLOWANCE OF CREDIT.***—*In the case of an indi-*  
 19 *vidual who is a citizen or resident of the United States*  
 20 *(within the meaning of section 7701(a)(9)), there shall be*  
 21 *allowed as a credit against the tax imposed by this chapter*  
 22 *for the taxable year an amount equal to the aggregate*  
 23 *amount of qualified contributions made by the taxpayer*  
 24 *during the taxable year.*

25       ***“(b) LIMITATIONS.—***

1           “(1) *IN GENERAL.*—*The credit allowed under*  
 2           *subsection (a) to any taxpayer for any taxable year*  
 3           *shall not exceed \$1,700.*

4           “(2) *REDUCTION BASED ON STATE CREDIT.*—*The*  
 5           *amount allowed as a credit under subsection (a) for*  
 6           *a taxable year shall be reduced by the amount allowed*  
 7           *as a credit on any State tax return of the taxpayer*  
 8           *for qualified contributions made by the taxpayer dur-*  
 9           *ing the taxable year.*

10          “(c) *DEFINITIONS.*—*For purposes of this section—*

11               “(1) *COVERED STATE.*—*The term ‘covered State’*  
 12               *means one of the States, or the District of Columbia,*  
 13               *that, for a calendar year, voluntarily elects to partici-*  
 14               *pate under this section and to identify scholarship*  
 15               *granting organizations in the State, in accordance*  
 16               *with subsection (g).*

17               “(2) *ELIGIBLE STUDENT.*—*The term ‘eligible*  
 18               *student’ means an individual who—*

19                       “(A) *is a member of a household with an*  
 20                       *income which, for the calendar year prior to the*  
 21                       *date of the application for a scholarship, is not*  
 22                       *greater than 300 percent of the area median*  
 23                       *gross income (as such term is used in section*  
 24                       *42), and*

1                   “(B) is eligible to enroll in a public elemen-  
2                   tary or secondary school.

3                   “(3) QUALIFIED CONTRIBUTION.—The term  
4                   ‘qualified contribution’ means a charitable contribu-  
5                   tion of cash to a scholarship granting organization  
6                   that uses the contribution to fund scholarships for eli-  
7                   gible students solely within the State in which the or-  
8                   ganization is listed pursuant to subsection (g).

9                   “(4) QUALIFIED ELEMENTARY OR SECONDARY  
10                  EDUCATION EXPENSE.—The term ‘qualified elemen-  
11                  tary or secondary education expense’ means any ex-  
12                  pense of an eligible student which is described in sec-  
13                  tion 530(b)(3)(A).

14                  “(5) SCHOLARSHIP GRANTING ORGANIZATION.—  
15                  The term ‘scholarship granting organization’ means  
16                  any organization—

17                         “(A) which—

18                                 “(i) is described in section 501(c)(3)  
19                                 and exempt from tax under section 501(a),  
20                                 and

21                                 “(ii) is not a private foundation,

22                                 “(B) which prevents the co-mingling of  
23                                 qualified contributions with other amounts by  
24                                 maintaining one or more separate accounts ex-  
25                                 clusively for qualified contributions,

1           “(C) *which satisfies the requirements of sub-*  
 2           *section (d), and*

3           “(D) *which is included on the list submitted*  
 4           *for the applicable covered State under subsection*  
 5           *(g) for the applicable year.*

6           “(d) *REQUIREMENTS FOR SCHOLARSHIP GRANTING*  
 7           *ORGANIZATIONS.—*

8           “(1) *IN GENERAL.—An organization meets the*  
 9           *requirements of this subsection if—*

10           “(A) *such organization provides scholar-*  
 11           *ships to 10 or more students who do not all at-*  
 12           *tend the same school,*

13           “(B) *such organization spends not less than*  
 14           *90 percent of the income of the organization on*  
 15           *scholarships for eligible students,*

16           “(C) *such organization does not provide*  
 17           *scholarships for any expenses other than quali-*  
 18           *fied elementary or secondary education expenses,*

19           “(D) *such organization provides a scholar-*  
 20           *ship to eligible students with a priority for—*

21           “(i) *students awarded a scholarship the*  
 22           *previous school year, and*

23           “(ii) *after application of clause (i),*  
 24           *any eligible students who have a sibling*

1                   *who was awarded a scholarship from such*  
 2                   *organization,*

3                   “(E) *such organization does not earmark or*  
 4                   *set aside contributions for scholarships on behalf*  
 5                   *of any particular student, and*

6                   “(F) *such organization—*

7                   “(i) *verifies the annual household in-*  
 8                   *come and family size of eligible students*  
 9                   *who apply for scholarships to ensure such*  
 10                   *students meet the requirement of subsection*  
 11                   *(c)(2)(A), and*

12                   “(ii) *limits the awarding of scholar-*  
 13                   *ships to eligible students who are a member*  
 14                   *of a household for which the income does not*  
 15                   *exceed the amount established under sub-*  
 16                   *section (c)(2)(A).*

17                   “(2) *PROHIBITION ON SELF-DEALING.—*

18                   “(A) *IN GENERAL.—A scholarship granting*  
 19                   *organization may not award a scholarship to*  
 20                   *any disqualified person.*

21                   “(B) *DISQUALIFIED PERSON.—For purposes*  
 22                   *of this paragraph, a disqualified person shall be*  
 23                   *determined pursuant to rules similar to the rules*  
 24                   *of section 4946.*

1       “(e) *DENIAL OF DOUBLE BENEFIT.*—Any qualified  
 2       contribution for which a credit is allowed under this section  
 3       shall not be taken into account as a charitable contribution  
 4       for purposes of section 170.

5       “(f) *CARRYFORWARD OF UNUSED CREDIT.*—

6               “(1) *IN GENERAL.*—If the credit allowable under  
 7       subsection (a) for any taxable year exceeds the limita-  
 8       tion imposed by section 26(a) for such taxable year  
 9       reduced by the sum of the credits allowable under this  
 10      subpart (other than this section, section 23, and sec-  
 11      tion 25D), such excess shall be carried to the suc-  
 12      ceeding taxable year and added to the credit allowable  
 13      under subsection (a) for such taxable year.

14              “(2) *LIMITATION.*—No credit may be carried for-  
 15      ward under this subsection to any taxable year fol-  
 16      lowing the fifth taxable year after the taxable year in  
 17      which the credit arose. For purposes of the preceding  
 18      sentence, credits shall be treated as used on a first-in  
 19      first-out basis.

20       “(g) *STATE LIST OF SCHOLARSHIP GRANTING ORGA-*  
 21      *NIZATIONS.*—

22              “(1) *LIST.*—

23                      “(A) *IN GENERAL.*—Not later than January  
 24                      1 of each calendar year (or, with respect to the  
 25                      first calendar year for which this section applies,



1           *as early as practicable), a State that voluntarily*  
 2           *elects to participate under this section shall pro-*  
 3           *vide to the Secretary a list of the scholarship*  
 4           *granting organizations that meet the require-*  
 5           *ments described in subsection (c)(5) and are lo-*  
 6           *cated in the State.*

7           “(B) *PROCESS.*—*The election under this*  
 8           *paragraph shall be made by the Governor of the*  
 9           *State or by such other individual, agency, or en-*  
 10          *tity as is designated under State law to make*  
 11          *such elections on behalf of the State with respect*  
 12          *to Federal tax benefits.*

13          “(2) *CERTIFICATION.*—*Each list submitted under*  
 14          *paragraph (1) shall include a certification that the*  
 15          *individual, agency, or entity submitting such list on*  
 16          *behalf of the State has the authority to perform this*  
 17          *function.*

18          “(h) *REGULATIONS AND GUIDANCE.*—*The Secretary*  
 19          *shall issue such regulations or other guidance as the Sec-*  
 20          *retary determines necessary to carry out the purposes of this*  
 21          *section, including regulations or other guidance—*

22                 “(1) *providing for enforcement of the require-*  
 23                 *ments under subsections (d) and (g), and*

1           “(2) with respect to recordkeeping or information  
2           reporting for purposes of administering the require-  
3           ments of this section.”.

4           (2) *CONFORMING AMENDMENTS.*—

5                 (A) Section 25(e)(1)(C) is amended by  
6                 striking “and 25D” and inserting “25D, and  
7                 25F”.

8                 (B) The table of sections for subpart A of  
9                 part IV of subchapter A of chapter 1 is amended  
10                by inserting after the item relating to section  
11                25E the following new item:

          “Sec. 25F. Qualified elementary and secondary education scholarships.”.

12           (b) *EXCLUSION FROM GROSS INCOME FOR SCHOLAR-*  
13           *SHIPS FOR QUALIFIED ELEMENTARY OR SECONDARY EDU-*  
14           *CATION EXPENSES OF ELIGIBLE STUDENTS.*—

15                 (1) *IN GENERAL.*—Part III of subchapter B of  
16                 chapter 1 is amended by inserting before section 140  
17                 the following new section:

18           **“SEC. 139K. SCHOLARSHIPS FOR QUALIFIED ELEMENTARY**  
19                         **OR SECONDARY EDUCATION EXPENSES OF**  
20                         **ELIGIBLE STUDENTS.**

21                 “(a) *IN GENERAL.*—In the case of an individual, gross  
22                 income shall not include any amounts provided to such in-  
23                 dividual or any dependent of such individual pursuant to  
24                 a scholarship for qualified elementary or secondary edu-

1 cation expenses of an eligible student which is provided by  
 2 a scholarship granting organization.

3 “(b) *DEFINITIONS.*—In this section, the terms ‘quali-  
 4 fied elementary or secondary education expense’, ‘eligible  
 5 student’, and ‘scholarship granting organization’ have the  
 6 same meaning given such terms under section 25F(c).”.

7 (2) *CONFORMING AMENDMENT.*—The table of sec-  
 8 tions for part III of subchapter B of chapter 1 is  
 9 amended by inserting before the item relating to sec-  
 10 tion 140 the following new item:

“Sec. 139K. Scholarships for qualified elementary or secondary education ex-  
 penses of eligible students.”.

11 (c) *EFFECTIVE DATE.*—

12 (1) *IN GENERAL.*—Except as otherwise provided  
 13 in this subsection, the amendments made by this sec-  
 14 tion shall apply to taxable years ending after Decem-  
 15 ber 31, 2026.

16 (2) *EXCLUSION FROM GROSS INCOME.*—The  
 17 amendments made by subsection (b) shall apply to  
 18 amounts received after December 31, 2026, in taxable  
 19 years ending after such date.

20 **SEC. 70412. EXCLUSION FOR EMPLOYER PAYMENTS OF STU-**  
 21 **DENT LOANS.**

22 (a) *IN GENERAL.*—Section 127(c)(1)(B) is amended by  
 23 striking “in the case of payments made before January 1,  
 24 2026,”.

1       (b) *INFLATION ADJUSTMENT.*—Section 127 is amend-  
2 *ed*—

3           (1) *by redesignating subsection (d) as subsection*  
4 *(e), and*

5           (2) *by inserting after subsection (c) the following*  
6 *new subsection:*

7       “(d) *INFLATION ADJUSTMENT.*—

8           “(1) *IN GENERAL.*—*In the case of any taxable*  
9 *year beginning after 2026, both of the \$5,250 amounts*  
10 *in subsection (a)(2) shall each be increased by an*  
11 *amount equal to—*

12           “(A) *such dollar amount, multiplied by*

13           “(B) *the cost-of-living adjustment deter-*  
14 *mined under section 1(f)(3) for the calendar year*  
15 *in which the taxable year begins, determined by*  
16 *substituting ‘calendar year 2025’ for ‘calendar*  
17 *year 2016’ in subparagraph (A)(ii) thereof.*

18           “(2) *ROUNDING.*—*If any increase under para-*  
19 *graph (1) is not a multiple of \$50, such increase shall*  
20 *be rounded to the nearest multiple of \$50.”.*

21       (c) *EFFECTIVE DATE.*—*The amendment made by this*  
22 *section shall apply to payments made after December 31,*  
23 *2025.*

1 **SEC. 70413. ADDITIONAL EXPENSES TREATED AS QUALI-**  
 2 **FIED HIGHER EDUCATION EXPENSES FOR**  
 3 **PURPOSES OF 529 ACCOUNTS.**

4 *(a) IN GENERAL.—*

5 *(1) IN GENERAL.—Section 529(c)(7) is amended*  
 6 *to read as follows:*

7 *“(7) TREATMENT OF ELEMENTARY AND SEC-*  
 8 *ONDARY TUITION.—Any reference in this section to*  
 9 *the term ‘qualified higher education expense’ shall in-*  
 10 *clude a reference to the following expenses in connec-*  
 11 *tion with enrollment or attendance at, or for students*  
 12 *enrolled at or attending, an elementary or secondary*  
 13 *public, private, or religious school:*

14 *“(A) Tuition.*

15 *“(B) Curriculum and curricular materials.*

16 *“(C) Books or other instructional materials.*

17 *“(D) Online educational materials.*

18 *“(E) Tuition for tutoring or educational*  
 19 *classes outside of the home, including at a tutor-*  
 20 *ing facility, but only if the tutor or instructor is*  
 21 *not related to the student and—*

22 *“(i) is licensed as a teacher in any*  
 23 *State,*

24 *“(ii) has taught at an eligible edu-*  
 25 *cational institution, or*

1                   “(iii) is a subject matter expert in the  
2                   relevant subject.

3                   “(F) Fees for a nationally standardized  
4                   norm-referenced achievement test, an advanced  
5                   placement examination, or any examinations re-  
6                   lated to college or university admission.

7                   “(G) Fees for dual enrollment in an institu-  
8                   tion of higher education.

9                   “(H) Educational therapies for students  
10                  with disabilities provided by a licensed or ac-  
11                  credited practitioner or provider, including occu-  
12                  pational, behavioral, physical, and speech-lan-  
13                  guage therapies.”.

14                  (2) *EFFECTIVE DATE.*—The amendment made by  
15                  this subsection shall apply to distributions made after  
16                  the date of the enactment of this Act.

17                  (b) *INCREASE IN LIMITATION.*—

18                   (1) *IN GENERAL.*—The last sentence of section  
19                   529(e)(3) is amended by striking “\$10,000” and in-  
20                   serting “\$20,000”.

21                   (2) *EFFECTIVE DATE.*—The amendment made by  
22                   this subsection shall apply to taxable years beginning  
23                   after December 31, 2025.

1 **SEC. 70414. CERTAIN POSTSECONDARY CREDENTIALING EX-**  
 2 **PENSES TREATED AS QUALIFIED HIGHER**  
 3 **EDUCATION EXPENSES FOR PURPOSES OF 529**  
 4 **ACCOUNTS.**

5 (a) *IN GENERAL.*—Section 529(e)(3) is amended by  
 6 adding at the end the following new subparagraph:

7 “(C) CERTAIN POSTSECONDARY  
 8 CREDENTIALING EXPENSES.—The term ‘qualified  
 9 higher education expenses’ includes qualified  
 10 postsecondary credentialing expenses (as defined  
 11 in subsection (f)).”.

12 (b) *QUALIFIED POSTSECONDARY CREDENTIALING EX-*  
 13 *PENSES.*—Section 529 is amended by redesignating sub-  
 14 section (f) as subsection (g) and by inserting after sub-  
 15 section (e) the following new subsection:

16 “(f) *QUALIFIED POSTSECONDARY CREDENTIALING EX-*  
 17 *PENSES.*—For purposes of this section—

18 “(1) *IN GENERAL.*—The term ‘qualified postsec-

19 ondary credentialing expenses’ means—  
 20 “(A) tuition, fees, books, supplies, and  
 21 equipment required for the enrollment or attend-  
 22 ance of a designated beneficiary in a recognized  
 23 postsecondary credential program, or any other  
 24 expense incurred in connection with enrollment  
 25 in or attendance at a recognized postsecondary  
 26 credential program if such expense would, if in-

1        *curring in connection with enrollment or attend-*  
 2        *ance at an eligible educational institution, be*  
 3        *covered under subsection (e)(3)(A),*

4                *“(B) fees for testing if such testing is re-*  
 5                *quired to obtain or maintain a recognized post-*  
 6                *secondary credential, and*

7                *“(C) fees for continuing education if such*  
 8                *education is required to maintain a recognized*  
 9                *postsecondary credential.*

10                *“(2) RECOGNIZED POSTSECONDARY CREDENTIAL*  
 11        *PROGRAM.—The term ‘recognized postsecondary cre-*  
 12        *dential program’ means any program to obtain a rec-*  
 13        *ognized postsecondary credential if—*

14                *“(A) such program is included on a State*  
 15                *list prepared under section 122(d) of the Work-*  
 16                *force Innovation and Opportunity Act (29*  
 17                *U.S.C. 3152(d)),*

18                *“(B) such program is listed in the public*  
 19                *directory of the Web Enabled Approval Manage-*  
 20                *ment System (WEAMS) of the Veterans Benefits*  
 21                *Administration, or successor directory such pro-*  
 22                *gram,*

23                *“(C) an examination (developed or admin-*  
 24                *istered by an organization widely recognized as*  
 25                *providing reputable credentials in the occupa-*



tion) is required to obtain or maintain such credential and such organization recognizes such program as providing training or education which prepares individuals to take such examination, or

“(D) such program is identified by the Secretary, after consultation with the Secretary of Labor, as being a reputable program for obtaining a recognized postsecondary credential for purposes of this subparagraph.

“(3) *RECOGNIZED POSTSECONDARY CREDENTIAL.*—The term ‘recognized postsecondary credential’ means—

“(A) any postsecondary employment credential that is industry recognized and is—

“(i) any postsecondary employment credential issued by a program that is accredited by the Institute for Credentialing Excellence, the National Commission on Certifying Agencies, or the American National Standards Institute,

“(ii) any postsecondary employment credential that is included in the Credentialing Opportunities On-Line (COOL) directory of credentialing programs

1            *(or successor directory) maintained by the*  
2            *Department of Defense or by any branch of*  
3            *the Armed Forces, or*

4            *“(iii) any postsecondary employment*  
5            *credential identified for purposes of this*  
6            *clause by the Secretary, after consultation*  
7            *with the Secretary of Labor, as being indus-*  
8            *try recognized,*

9            *“(B) any certificate of completion of an ap-*  
10          *prenticeship that is registered and certified with*  
11          *the Secretary of Labor under the Act of August*  
12          *16, 1937 (commonly known as the ‘National Ap-*  
13          *prenticeship Act’; 50 Stat. 664, chapter 663; 29*  
14          *U.S.C. 50 et seq.),*

15          *“(C) any occupational or professional li-*  
16          *cence issued or recognized by a State or the Fed-*  
17          *eral Government (and any certification that sat-*  
18          *isfies a condition for obtaining such a license),*  
19          *and*

20          *“(D) any recognized postsecondary creden-*  
21          *tial as defined in section 3(52) of the Workforce*  
22          *Innovation and Opportunity Act (29 U.S.C.*  
23          *3102(52)), provided through a program described*  
24          *in paragraph (2)(A).”.*

1       (c) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to distributions made after the date of*  
 3 *the enactment of this Act.*

4   **SEC. 70415. MODIFICATION OF EXCISE TAX ON INVESTMENT**  
 5                   **INCOME OF CERTAIN PRIVATE COLLEGES**  
 6                   **AND UNIVERSITIES.**

7       (a) *IN GENERAL.*—*Section 4968 is amended to read*  
 8 *as follows:*

9   **“SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME OF**  
 10                   **PRIVATE COLLEGES AND UNIVERSITIES.**

11       “(a) *TAX IMPOSED.*—*There is hereby imposed on each*  
 12 *applicable educational institution for the taxable year a tax*  
 13 *equal to the applicable percentage of the net investment in-*  
 14 *come of such institution for the taxable year.*

15       “(b) *APPLICABLE PERCENTAGE.*—*For purposes of this*  
 16 *section, the term ‘applicable percentage’ means—*

17               “(1) *1.4 percent in the case of an institution*  
 18 *with a student adjusted endowment of at least*  
 19 *\$500,000, and not in excess of \$750,000,*

20               “(2) *4 percent in the case of an institution with*  
 21 *a student adjusted endowment in excess of \$750,000,*  
 22 *and not in excess of \$2,000,000, and*

23               “(3) *8 percent in the case of an institution with*  
 24 *a student adjusted endowment in excess of \$2,000,000.*

1       “(c) *APPLICABLE EDUCATIONAL INSTITUTION.*—For  
 2       purposes of this subchapter, the term ‘applicable edu-  
 3       cational institution’ means an eligible educational institu-  
 4       tion (as defined in section 25A(f)(2))—

5               “(1) which had at least 3,000 tuition-paying stu-  
 6       dents during the preceding taxable year,

7               “(2) more than 50 percent of the tuition-paying  
 8       students of which are located in the United States,

9               “(3) the student adjusted endowment of which is  
 10      at least \$500,000, and

11              “(4) which is not described in the first sentence  
 12      of section 511(a)(2)(B) (relating to State colleges and  
 13      universities).

14       “(d) *STUDENT ADJUSTED ENDOWMENT.*—For pur-  
 15      poses of this section, the term ‘student adjusted endowment’  
 16      means, with respect to any institution for any taxable  
 17      year—

18              “(1) the aggregate fair market value of the assets  
 19      of such institution (determined as of the end of the  
 20      preceding taxable year), other than those assets which  
 21      are used directly in carrying out the institution’s ex-  
 22      empt purpose, divided by

23              “(2) the number of students of such institution.

24       “(e) *DETERMINATION OF NUMBER OF STUDENTS.*—  
 25      For purposes of subsections (c) and (d), the number of stu-

1 *dents of an institution (including for purposes of deter-*  
 2 *mining the number of students at a particular location)*  
 3 *shall be based on the daily average number of full-time stu-*  
 4 *dents attending such institution (with part-time students*  
 5 *taken into account on a full-time student equivalent basis).*

6 “(f) *NET INVESTMENT INCOME.*—*For purposes of this*  
 7 *section—*

8 “(1) *IN GENERAL.*—*Net investment income shall*  
 9 *be determined under rules similar to the rules of sec-*  
 10 *tion 4940(c).*

11 “(2) *OVERRIDE OF CERTAIN REGULATORY EX-*  
 12 *CEPTIONS.*—

13 “(A) *STUDENT LOAN INTEREST.*—*Net in-*  
 14 *vestment income shall be determined by taking*  
 15 *into account any interest income from a student*  
 16 *loan made by the applicable educational institu-*  
 17 *tion (or any related organization) as gross in-*  
 18 *vestment income.*

19 “(B) *FEDERALLY-SUBSIDIZED ROYALTY IN-*  
 20 *COME.*—

21 “(i) *IN GENERAL.*—*Net investment in-*  
 22 *come shall be determined by taking into ac-*  
 23 *count any Federally-subsidized royalty in-*  
 24 *come as gross investment income.*

1                   “(i) *FEDERALLY-SUBSIDIZED ROYALTY*  
 2                   *INCOME.—For purposes of this subpara-*  
 3                   *graph—*

4                   “(I) *IN GENERAL.—The term*  
 5                   *‘Federally-subsidized royalty income’*  
 6                   *means any otherwise-regulatory-exempt*  
 7                   *royalty income if any Federal funds*  
 8                   *were used in the research, development,*  
 9                   *or creation of the patent, copyright, or*  
 10                   *other intellectual or intangible prop-*  
 11                   *erty from which such royalty income is*  
 12                   *derived.*

13                   “(II) *OTHERWISE-REGULATORY-*  
 14                   *EXEMPT ROYALTY INCOME.—For pur-*  
 15                   *poses of this subparagraph, the term*  
 16                   *‘otherwise-regulatory-exempt royalty*  
 17                   *income’ means royalty income which*  
 18                   *(but for this subparagraph) would not*  
 19                   *be taken into account as gross invest-*  
 20                   *ment income by reason of being derived*  
 21                   *from patents, copyrights, or other intel-*  
 22                   *lectual or intangible property which*  
 23                   *resulted from the work of students or*  
 24                   *faculty members in their capacities as*

1                   *such with the applicable educational*  
 2                   *institution.*

3                   “(III) *FEDERAL FUNDS.*—*The*  
 4                   *term ‘Federal funds’ includes any*  
 5                   *grant made by, and any payment*  
 6                   *made under any contract with, any*  
 7                   *Federal agency to the applicable edu-*  
 8                   *cational institution, any related orga-*  
 9                   *nization, or any student or faculty*  
 10                   *member referred to in subclause (II).*

11           “(g) *ASSETS AND NET INVESTMENT INCOME OF RE-*  
 12           *LATED ORGANIZATIONS.*—

13                   “(1) *IN GENERAL.*—*For purposes of subsections*  
 14                   *(d) and (f), assets and net investment income of any*  
 15                   *related organization with respect to an educational*  
 16                   *institution shall be treated as assets and net invest-*  
 17                   *ment income, respectively, of the educational institu-*  
 18                   *tion, except that—*

19                   “(A) *no such amount shall be taken into ac-*  
 20                   *count with respect to more than 1 educational*  
 21                   *institution, and*

22                   “(B) *unless such organization is controlled*  
 23                   *by such institution or is described in section*  
 24                   *509(a)(3) with respect to such institution for the*  
 25                   *taxable year, assets and net investment income*

1           *which are not intended or available for the use*  
 2           *or benefit of the educational institution shall not*  
 3           *be taken into account.*

4           “(2) *RELATED ORGANIZATION.*—*For purposes of*  
 5           *this subsection, the term ‘related organization’ means,*  
 6           *with respect to an educational institution, any orga-*  
 7           *nization which—*

8                   “(A) *controls, or is controlled by, such insti-*  
 9                   *tution,*

10                   “(B) *is controlled by 1 or more persons*  
 11                   *which also control such institution, or*

12                   “(C) *is a supported organization (as de-*  
 13                   *finied in section 509(f)(3)), or an organization*  
 14                   *described in section 509(a)(3), during the taxable*  
 15                   *year with respect to such institution.*

16           “(h) *REGULATIONS.*—*The Secretary shall prescribe*  
 17           *such regulations or other guidance as may be necessary to*  
 18           *prevent avoidance of the tax under this section, including*  
 19           *regulations or other guidance to prevent avoidance of such*  
 20           *tax through the restructuring of endowment funds or other*  
 21           *arrangements designed to reduce or eliminate the value of*  
 22           *net investment income or assets subject to the tax imposed*  
 23           *by this section.”.*

24           (b) *REQUIREMENT TO REPORT CERTAIN INFORMATION*  
 25           *WITH RESPECT TO APPLICATION OF EXCISE TAX BASED*



1 *ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNI-*  
 2 *VERSITIES.—Section 6033 is amended by redesignating*  
 3 *subsection (o) as subsection (p) and by inserting after sub-*  
 4 *section (n) the following new subsection:*

5       “(o) *REQUIREMENT TO REPORT CERTAIN INFORMA-*  
 6 *TION WITH RESPECT TO EXCISE TAX BASED ON INVEST-*  
 7 *MENT INCOME OF PRIVATE COLLEGES AND UNIVER-*  
 8 *SITIES.—Each applicable educational institution described*  
 9 *in section 4968(c) which is subject to the requirements of*  
 10 *subsection (a) shall include on the return required under*  
 11 *subsection (a)—*

12               “(1) *the number of tuition-paying students taken*  
 13 *into account under section 4968(c), and*

14               “(2) *the number of students of such institution*  
 15 *(determined under the rules of section 4968(e)).”.*

16       (c) *EFFECTIVE DATE.—The amendments made by this*  
 17 *section shall apply to taxable years beginning after Decem-*  
 18 *ber 31, 2025.*

19 **SEC. 70416. EXPANDING APPLICATION OF TAX ON EXCESS**  
 20 **COMPENSATION WITHIN TAX-EXEMPT ORGA-**  
 21 **NIZATIONS.**

22       (a) *IN GENERAL.—Section 4960(c)(2) is amended to*  
 23 *read as follows:*

24               “(2) *COVERED EMPLOYEE.—For purposes of this*  
 25 *section, the term ‘covered employee’ means any em-*

1     ~~employee of an applicable tax-exempt organization (or~~  
 2     ~~any predecessor of such an organization) and any~~  
 3     ~~former employee of such an organization (or prede-~~  
 4     ~~cessor) who was such an employee during any taxable~~  
 5     ~~year beginning after December 31, 2016.”.~~

6     (b) *EFFECTIVE DATE.*—*The amendment made by sub-*  
 7     ~~section (a) shall apply to taxable years beginning after De-~~  
 8     ~~cember 31, 2025.~~

9     ***Subchapter C—Permanent Investments in***  
 10     ***Community Development***  
 11     ***SEC. 70421. PERMANENT RENEWAL AND ENHANCEMENT OF***  
 12     ***OPPORTUNITY ZONES.***

13     (a) *DECENNIAL DESIGNATIONS.*—

14         (1) *DETERMINATION PERIOD.*—*Section 1400Z-*  
 15     ~~1(c)(2)(B) is amended by striking “beginning on the~~  
 16     ~~date of the enactment of the Tax Cuts and Jobs Act”~~  
 17     ~~and inserting “beginning on the decennial determina-~~  
 18     ~~tion date”.~~

19         (2) *DECENNIAL DETERMINATION DATE.*—*Section*  
 20     ~~1400Z-1(c)(2) is amended by adding at the end the~~  
 21     ~~following new subparagraph:~~

22             “(C) *DECENNIAL DETERMINATION DATE.*—  
 23     ~~The term ‘decennial determination date’~~  
 24     ~~means—~~

25             “(i) *July 1, 2026, and*

1                   “(ii) each July 1 of the year that is 10  
 2                   years after the preceding decennial deter-  
 3                   mination date under this subparagraph.”.

4                   (3) *REPEAL OF SPECIAL RULE FOR PUERTO*  
 5                   *RICO.*—Section 1400Z-1(b) is amended by striking  
 6                   paragraph (3).

7                   (4) *LIMITATION ON NUMBER OF DESIGNA-*  
 8                   *TIONS.*—Section 1400Z-1(d)(1) is amended—

9                   (A) in paragraph (1)—

10                   (i) by striking “and subsection (b)(3)”,

11                   and

12                   (ii) by inserting “during any period”  
 13                   after “the number of population census  
 14                   tracts in a State that may be designated as  
 15                   qualified opportunity zones under this sec-  
 16                   tion”, and

17                   (B) in paragraph (2), by inserting “during  
 18                   any period” before the period at the end.

19                   (5) *EFFECTIVE DATES.*—

20                   (A) *IN GENERAL.*—Except as provided in  
 21                   subparagraph (B), the amendments made by this  
 22                   subsection shall take effect on the date of the en-  
 23                   actment of this Act.

1                   (B) *PUERTO RICO.—The amendment made*  
 2                   *by paragraph (3) shall take effect on December*  
 3                   *31, 2026.*

4                   (b) *QUALIFICATION FOR DESIGNATIONS.—*

5                   (1) *DETERMINATION OF LOW-INCOME COMMU-*  
 6                   *NITIES.—Section 1400Z-1(c) is amended by striking*  
 7                   *all that precedes paragraph (2) and inserting the fol-*  
 8                   *lowing:*

9                   “(c) *OTHER DEFINITIONS.—For purposes of this sec-*  
 10                  *tion—*

11                  “(1) *LOW-INCOME COMMUNITIES.—The term*  
 12                  *‘low-income community’ means any population cen-*  
 13                  *sus tract if—*

14                  “(A) *such population census tract has a me-*  
 15                  *dian family income that—*

16                  “(i) *in the case of a population census*  
 17                  *tract not located within a metropolitan*  
 18                  *area, does not exceed 70 percent of the state-*  
 19                  *wide median family income, or*

20                  “(ii) *in the case of a population census*  
 21                  *tract located within a metropolitan area,*  
 22                  *does not exceed 70 percent of the metropoli-*  
 23                  *tan area median family income, or*

24                  “(B) *such population census tract—*

1 “(i) has a poverty rate of at least 20  
2 percent, and

3 “(ii) has a median family income  
4 that—

5 “(I) in the case of a population  
6 census tract not located within a met-  
7 ropolitan area, does not exceed 125  
8 percent of the statewide median family  
9 income, or

10 “(II) in the case of a population  
11 census tract located within a metro-  
12 politan area, does not exceed 125 per-  
13 cent of the metropolitan area median  
14 family income.”.

15 (2) *REPEAL OF RULE FOR CONTIGUOUS CENSUS*  
16 *TRACTS.*—Section 1400Z-1 is amended by striking  
17 subsection (e) and by redesignating subsection (f) as  
18 subsection (e).

19 (3) *PERIOD FOR WHICH DESIGNATION IS IN EF-*  
20 *FECT.*—Section 1400Z-1(e), as redesignated by para-  
21 graph (2), is amended to read as follows:

22 “(e) *PERIOD FOR WHICH DESIGNATION IS IN EF-*  
23 *FECT.*—

24 “(1) *IN GENERAL.*—A designation as a qualified  
25 opportunity zone shall remain in effect for the period

1       *beginning on the applicable start date and ending on*  
 2       *the day before the date that is 10 years after the ap-*  
 3       *plicable start date.*

4               “(2) *APPLICABLE START DATE.*—*For purposes of*  
 5       *this section, the term ‘applicable start date’ means,*  
 6       *with respect to any qualified opportunity zone des-*  
 7       *ignated under this section, the January 1 following*  
 8       *the date on which such qualified opportunity zone*  
 9       *was certified and designated by the Secretary under*  
 10       *subsection (b)(1)(B).”.*

11              (4) *EFFECTIVE DATE.*—*The amendments made*  
 12       *by this subsection shall apply to areas designated*  
 13       *under section 1400Z-1 of the Internal Revenue Code*  
 14       *of 1986 after the date of the enactment of this Act.*

15       (c) *APPLICATION OF SPECIAL RULES FOR CAPITAL*  
 16       *GAINS.*—

17              (1) *REPEAL OF SUNSET ON ELECTION.*—*Section*  
 18       *1400Z-2(a)(2) is amended to read as follows:*

19              “(2) *ELECTION.*—*No election may be made*  
 20       *under paragraph (1) with respect to a sale or ex-*  
 21       *change if an election previously made with respect to*  
 22       *such sale or exchange is in effect.”.*

23              (2) *MODIFICATION OF RULES FOR DEFERRAL OF*  
 24       *GAIN.*—*Section 1400Z-2(b) is amended to read as fol-*  
 25       *lows:*

1       “(b) *DEFERRAL OF GAIN INVESTED IN OPPORTUNITY*  
2 *ZONE PROPERTY.*—

3               “(1) *YEAR OF INCLUSION.*—*Gain to which sub-*  
4 *section (a)(1)(B) applies shall be included in gross in-*  
5 *come in the taxable year which includes the earlier*  
6 *of—*

7                       “(A) *the date on which such investment is*  
8 *sold or exchanged, or*

9                       “(B) *the date which is 5 years after the date*  
10 *the investment in the qualified opportunity fund*  
11 *was made.*

12               “(2) *AMOUNT INCLUDIBLE.*—

13                       “(A) *IN GENERAL.*—*The amount of gain in-*  
14 *cluded in gross income under subsection*  
15 *(a)(1)(B) shall be the excess of—*

16                               “(i) *the lesser of the amount of gain ex-*  
17 *cluded under subsection (a)(1)(A) or the*  
18 *fair market value of the investment as deter-*  
19 *mined as of the date described in paragraph*  
20 *(1), over*

21                               “(ii) *the taxpayer’s basis in the invest-*  
22 *ment.*

23               “(B) *DETERMINATION OF BASIS.*—

24                       “(i) *IN GENERAL.*—*Except as otherwise*  
25 *provided in this subparagraph or subsection*

1           (c), the taxpayer's basis in the investment  
2           shall be zero.

3           “(ii) *INCREASE FOR GAIN RECOGNIZED*  
4           *UNDER SUBSECTION (a)(1)(B).*—The basis  
5           in the investment shall be increased by the  
6           amount of gain recognized by reason of sub-  
7           section (a)(1)(B) with respect to such in-  
8           vestment.

9           “(iii) *INVESTMENTS HELD FOR 5*  
10          *YEARS.*—

11           “(I) *IN GENERAL.*—In the case of  
12           any investment held for at least 5  
13           years, the basis of such investment  
14           shall be increased by an amount equal  
15           to 10 percent (30 percent in the case of  
16           any investment in a qualified rural  
17           opportunity fund) of the amount of  
18           gain deferred by reason of subsection  
19           (a)(1)(A).

20           “(II) *APPLICATION OF IN-*  
21           *CREASE.*—For purposes of this sub-  
22           section, any increase in basis under  
23           this clause shall be treated as occurring  
24           before the date described in paragraph  
25           (1)(B).



1                   “(C) QUALIFIED RURAL OPPORTUNITY  
2                   FUND.—For purposes of subparagraph (B)(iii)—

3                   “(i) QUALIFIED RURAL OPPORTUNITY  
4                   FUND.—The term ‘qualified rural oppor-  
5                   tunity fund’ means a qualified opportunity  
6                   fund that holds at least 90 percent of its as-  
7                   sets in qualified opportunity zone property  
8                   which—

9                   “(I) is qualified opportunity zone  
10                  business property substantially all of  
11                  the use of which, during substantially  
12                  all of the fund’s holding period for such  
13                  property, was in a qualified oppor-  
14                  tunity zone comprised entirely of a  
15                  rural area, or

16                  “(II) is qualified opportunity  
17                  zone stock, or a qualified opportunity  
18                  zone partnership interest, in a quali-  
19                  fied opportunity zone business in  
20                  which substantially all of the tangible  
21                  property owned or leased is qualified  
22                  opportunity zone business property de-  
23                  scribed in subsection (d)(3)(A)(i) and  
24                  substantially all the use of which is in

1                    *a qualified opportunity zone comprised*  
 2                    *entirely of a rural area.*

3                    *For purposes of the preceding sentence,*  
 4                    *property held in the fund shall be measured*  
 5                    *under rules similar to the rules of sub-*  
 6                    *section (d)(1).*

7                    *“(ii) RURAL AREA.—The term ‘rural*  
 8                    *area’ means any area other than—*

9                    *“(I) a city or town that has a*  
 10                    *population of greater than 50,000 in-*  
 11                    *habitants, and*

12                    *“(II) any urbanized area contig-*  
 13                    *uous and adjacent to a city or town*  
 14                    *described in subclause (I).”.*

15                    *(3) SPECIAL RULE FOR INVESTMENTS HELD AT*  
 16                    *LEAST 10 YEARS.—Section 1400Z-2(c) is amended by*  
 17                    *striking “makes an election under this clause” and all*  
 18                    *that follows and inserting “makes an election under*  
 19                    *this subsection, the basis of such investment shall be*  
 20                    *equal to—*

21                    *“(A) in the case of an investment sold before*  
 22                    *the date that is 30 years after the date of the in-*  
 23                    *vestment, the fair market value of such invest-*  
 24                    *ment on the date such investment is sold or ex-*  
 25                    *changed, or*

1           “(B) in any other case, the fair market  
2           value of such investment on the date that is 30  
3           years after the date of the investment.”.

4           (4) DETERMINATION OF QUALIFIED OPPOR-  
5           TUNITY ZONE PROPERTY.—

6           (A) QUALIFIED OPPORTUNITY ZONE BUSI-  
7           NESS           PROPERTY.—Section           1400Z-  
8           2(d)(2)(D)(i)(I) is amended by striking “Decem-  
9           ber 31, 2017” and inserting “the applicable start  
10          date (as defined in section 1400Z-1(e)(2)) with  
11          respect to the qualified opportunity zone de-  
12          scribed in subclause (III)”.

13          (B) QUALIFIED OPPORTUNITY ZONE STOCK  
14          AND PARTNERSHIP INTERESTS.—Section 1400Z-  
15          2(d)(2) is amended—

16               (i) by striking “December 31, 2017,”  
17               each place it appears in subparagraphs  
18               (B)(i)(I) and (C)(i) and inserting “the ap-  
19               plicable date”, and

20               (ii) by adding at the end the following  
21               new subparagraph:

22               “(E) APPLICABLE DATE.—For purposes of  
23               this subparagraph, the term ‘applicable date’  
24               means, with respect to any corporation or part-  
25               nership which is a qualified opportunity zone

business, the earliest date described in subparagraph (D)(i)(I) with respect to the qualified opportunity zone business property held by such qualified opportunity zone business.”.

(C) SPECIAL RULE FOR IMPROVEMENT OF EXISTING STRUCTURES IN RURAL AREAS.—Section 1400Z–2(d)(2)(D)(ii) is amended by inserting “(50 percent of such adjusted basis in the case of property in a qualified opportunity zone comprised entirely of a rural area (as defined in subsection (b)(2)(C)(ii))” after “the adjusted basis of such property”.

(5) EFFECTIVE DATES.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the amendments made by this subsection shall apply to amounts invested in qualified opportunity funds after December 31, 2026.

(B) ACQUISITION OF QUALIFIED OPPORTUNITY ZONE PROPERTY.—The amendments made by subparagraphs (A) and (B) of paragraph (4) shall apply to property acquired after December 31, 2026.

1                   (C) *SUBSTANTIAL IMPROVEMENT.*—*The*  
 2                   *amendment made by paragraph (4)(C) shall take*  
 3                   *effect on the date of the enactment of this Act.*

4           (d) *INFORMATION REPORTING ON QUALIFIED OPPOR-*  
 5 *TUNITY FUNDS AND QUALIFIED RURAL OPPORTUNITY*  
 6 *FUNDS.*—

7                   (1) *FILING REQUIREMENTS FOR FUNDS AND IN-*  
 8                   *VESTORS.*—*Subpart A of part III of subchapter A of*  
 9                   *chapter 61 is amended by inserting after section*  
 10                   *6039J the following new sections:*

11           **“SEC. 6039K. RETURNS WITH RESPECT TO QUALIFIED OP-**  
 12                               **PORTUNITY FUNDS AND QUALIFIED RURAL**  
 13                               **OPPORTUNITY FUNDS.**

14                   “(a) *IN GENERAL.*—*Every qualified opportunity fund*  
 15                   *shall file an annual return (at such time and in such man-*  
 16                   *ner as the Secretary may prescribe) containing the informa-*  
 17                   *tion described in subsection (b).*

18                   “(b) *INFORMATION FROM QUALIFIED OPPORTUNITY*  
 19 *FUNDS.*—*The information described in this subsection is—*

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

22                   “(2) *whether the qualified opportunity fund is*  
 23                   *organized as a corporation or a partnership,*

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

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

7           “(5) with respect to each investment held by the  
8           qualified opportunity fund in qualified opportunity  
9           zone stock or a qualified opportunity zone partner-  
10          ship interest—

11           “(A) the name, address, and taxpayer iden-  
12          tification number of the corporation in which  
13          such stock is held or the partnership in which  
14          such interest is held, as the case may be,

15           “(B) each North American Industry Classi-  
16          fication System (NAICS) code that applies to the  
17          trades or businesses conducted by such corpora-  
18          tion or partnership,

19           “(C) the population census tract or popu-  
20          lation census tracts in which the qualified oppor-  
21          tunity zone business property of such corporation  
22          or partnership is located,

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

1           “(E) the value of tangible property held by  
2           such corporation or partnership on each such  
3           date which is owned by such corporation or  
4           partnership,

5           “(F) the value of tangible property held by  
6           such corporation or partnership on each such  
7           date which is leased by such corporation or part-  
8           nership,

9           “(G) the approximate number of residential  
10          units (if any) for any real property held by such  
11          corporation or partnership, and

12          “(H) the approximate average monthly  
13          number of full-time equivalent employees of such  
14          corporation or partnership for the year (within  
15          numerical ranges identified by the Secretary) or  
16          such other indication of the employment impact  
17          of such corporation or partnership as determined  
18          appropriate by the Secretary,

19          “(6) with respect to the items of qualified oppor-  
20          tunity zone business property held by the qualified  
21          opportunity fund—

22                 “(A) the North American Industry Classi-  
23                 fication System (NAICS) code that applies to the  
24                 trades or businesses in which such property is  
25                 held,

1           “(B) the population census tract in which  
2           the property is located,

3           “(C) whether the property is owned or  
4           leased,

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

9           “(E) in the case of real property, the num-  
10          ber of residential units (if any),

11          “(7) the approximate average monthly number of  
12          full-time equivalent employees for the year of the  
13          trades or businesses of the qualified opportunity fund  
14          in which qualified opportunity zone business property  
15          is held (within numerical ranges identified by the  
16          Secretary) or such other indication of the employment  
17          impact of such trades or businesses as determined ap-  
18          propriate by the Secretary,

19          “(8) with respect to each person who disposed of  
20          an investment in the qualified opportunity fund dur-  
21          ing the year—

22                 “(A) the name, address, and taxpayer iden-  
23                 tification number of such person,

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



1           “(C) *the date or dates on which any such*  
 2           *investment was disposed and the amount of the*  
 3           *investment disposed, and*

4           “(9) *such other information as the Secretary*  
 5           *may require.*

6           “(c) *STATEMENT REQUIRED TO BE FURNISHED TO IN-*  
 7           *VESTORS.—Every person required to make a return under*  
 8           *subsection (a) shall furnish to each person whose name is*  
 9           *required to be set forth in such return by reason of sub-*  
 10          *section (b)(8) (at such time and in such manner as the Sec-*  
 11          *retary may prescribe) a written statement showing—*

12           “(1) *the name, address, and phone number of the*  
 13           *information contact of the person required to make*  
 14           *such return, and*

15           “(2) *the information required to be shown on*  
 16           *such return by reason of subsection (b)(8) with respect*  
 17           *to the person whose name is required to be so set*  
 18           *forth.*

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

20           “(1) *IN GENERAL.—Any term used in this sec-*  
 21           *tion which is also used in subchapter Z of chapter 1*  
 22           *shall have the meaning given such term under such*  
 23           *subchapter.*

1           “(2) *FULL-TIME EQUIVALENT EMPLOYEES.*—The  
 2           term ‘full-time equivalent employees’ means, with re-  
 3           spect to any month, the sum of—

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

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

12          “(e) *APPLICATION TO QUALIFIED RURAL OPPOR-*  
 13          *TUNITY FUNDS.*—Every qualified rural opportunity fund  
 14          (as defined in section 1400Z–2(b)(2)(C)) shall file the an-  
 15          nual return required under subsection (a), and the state-  
 16          ments required under subsection (c), applied—

17                  “(1) by substituting ‘qualified rural opportunity’  
 18                  for ‘qualified opportunity’ each place it appears,

19                  “(2) by substituting ‘section 1400Z–2(b)(2)(C)’  
 20                  for ‘section 1400Z–2(d)(1)’ each place it appears, and

21                  “(3) by treating any reference (after the applica-  
 22                  tion of paragraph (1)) to qualified rural opportunity  
 23                  zone stock, a qualified rural opportunity zone part-  
 24                  nership interest, a qualified rural opportunity zone  
 25                  business, or qualified opportunity zone business prop-

erty as stock, an interest, a business, or property, respectively, described in subclause (I) or (II), as the case may be, of section 1400Z-2(b)(2)(C)(i).

**“SEC. 6039L. INFORMATION REQUIRED FROM QUALIFIED OPPORTUNITY ZONE BUSINESSES AND QUALIFIED RURAL OPPORTUNITY ZONE BUSINESSES.**

“(a) *IN GENERAL.*—Every applicable qualified opportunity zone business shall furnish to the qualified opportunity fund described in subsection (b) a written statement at such time, in such manner, and setting forth such information as the Secretary may by regulations prescribe for purposes of enabling such qualified opportunity fund to meet the requirements of section 6039K(b)(5).

“(b) *APPLICABLE QUALIFIED OPPORTUNITY ZONE BUSINESS.*—For purposes of subsection (a), the term ‘applicable qualified opportunity zone business’ means any qualified opportunity zone business—

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

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

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

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

4       “(d) *APPLICATION TO QUALIFIED RURAL OPPOR-*  
 5       *TUNITY BUSINESSES.*—Every applicable qualified rural op-  
 6       portunity zone business (as defined in subsection (b) deter-  
 7       mined after application of the substitutions described in  
 8       this sentence) shall furnish the written statement required  
 9       under subsection (a), applied—

10               “(1) by substituting ‘qualified rural opportunity’  
 11       for ‘qualified opportunity’ each place it appears, and

12               “(2) by treating any reference (after the applica-  
 13       tion of paragraph (1)) to qualified rural opportunity  
 14       zone stock, a qualified rural opportunity zone part-  
 15       nership interest, or a qualified rural opportunity zone  
 16       business as stock, an interest, or a business, respec-  
 17       tively, described in subclause (I) or (II), as the case  
 18       may be, of section 1400Z-2(b)(2)(C)(i).”.

19               (2) *PENALTIES.*—

20               (A) *IN GENERAL.*—Part II of subchapter B  
 21       of chapter 68 is amended by inserting after sec-  
 22       tion 6725 the following new section:

1 **“SEC. 6726. FAILURE TO COMPLY WITH INFORMATION RE-**  
 2 **PORTING REQUIREMENTS RELATING TO**  
 3 **QUALIFIED OPPORTUNITY FUNDS AND**  
 4 **QUALIFIED RURAL OPPORTUNITY FUNDS.**

5 “(a) *IN GENERAL.*—If any person required to file a  
 6 return under section 6039K fails to file a complete and cor-  
 7 rect return under such section in the time and in the man-  
 8 ner prescribed therefor, such person shall pay a penalty of  
 9 \$500 for each day during which such failure continues.

10 “(b) *LIMITATION.*—

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

14 “(2) *LARGE QUALIFIED OPPORTUNITY FUNDS.*—  
 15 In the case of any failure described in subsection (a)  
 16 with respect to a fund the gross assets of which (deter-  
 17 mined on the last day of the taxable year) are in ex-  
 18 cess of \$10,000,000, paragraph (1) shall be applied by  
 19 substituting ‘\$50,000’ for ‘\$10,000’.

20 “(c) *PENALTY IN CASES OF INTENTIONAL DIS-*  
 21 *REGARD.*—If a failure described in subsection (a) is due  
 22 to intentional disregard, then—

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

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

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

3           “(d) *INFLATION ADJUSTMENT*.—

4           “(1) *IN GENERAL*.—*In the case of any failure re-*  
5           *lating to a return required to be filed in a calendar*  
6           *year beginning after 2025, each of the dollar amounts*  
7           *in subsections (a), (b), and (c) shall be increased by*  
8           *an amount equal to—*

9                   “(A) *such dollar amount, multiplied by*

10                   “(B) *the cost-of-living adjustment deter-*  
11                   *mined under section 1(f)(3) for the calendar year*  
12                   *determined by substituting ‘calendar year 2024’*  
13                   *for ‘calendar year 2016’ in subparagraph (A)(ii)*  
14                   *thereof.*

15           “(2) *ROUNDING*.—

16           “(A) *IN GENERAL*.—*If the \$500 dollar*  
17           *amount in subsection (a) and (c)(1) or the*  
18           *\$2,500 amount in subsection (c)(1), after being*  
19           *increased under paragraph (1), is not a multiple*  
20           *of \$10, such dollar amount shall be rounded to*  
21           *the next lowest multiple of \$10.*

22           “(B) *ASSET THRESHOLD*.—*If the*  
23           *\$10,000,000 dollar amount in subsection (b)(2),*  
24           *after being increased under paragraph (1), is not*  
25           *a multiple of \$10,000, such dollar amount shall*

1        *be rounded to the next lowest multiple of*  
 2        *\$10,000.*

3                *“(C) OTHER DOLLAR AMOUNTS.—If any*  
 4        *dollar amount in subsection (b) or (c) (other*  
 5        *than any amount to which subparagraph (A) or*  
 6        *(B) applies), after being increased under para-*  
 7        *graph (1), is not a multiple of \$1,000, such dol-*  
 8        *lar amount shall be rounded to the next lowest*  
 9        *multiple of \$1,000.”.*

10                *(B) INFORMATION REQUIRED TO BE SENT*  
 11        *TO OTHER TAXPAYERS.—Section 6724(d)(2), as*  
 12        *amended by the preceding provisions of this Act,*  
 13        *is amended—*

14                        *(i) by striking “or” at the end of sub-*  
 15                        *paragraph (LL),*

16                        *(ii) by striking the period at the end of*  
 17                        *subparagraph (MM) and inserting a*  
 18                        *comma, and*

19                        *(iii) by inserting after subparagraph*  
 20                        *(MM) the following new subparagraphs:*

21                        *“(NN) section 6039K(c) (relating to disposi-*  
 22                        *tion of qualified opportunity fund investments),*  
 23                        *or*

24                        *“(OO) section 6039L (relating to informa-*  
 25                        *tion required from certain qualified opportunity*

1           *zone businesses and qualified rural opportunity*  
 2           *zone businesses).*”.

3           (3) *ELECTRONIC FILING.*—Section 6011(e) is  
 4           *amended by adding at the end the following new*  
 5           *paragraph:*

6           “(8) *QUALIFIED OPPORTUNITY FUNDS AND*  
 7           *QUALIFIED RURAL OPPORTUNITY FUNDS.*—Notwith-  
 8           *standing paragraphs (1) and (2), any return filed by*  
 9           *a qualified opportunity fund or qualified rural op-*  
 10           *portunity fund under section 6039K shall be filed on*  
 11           *magnetic media or other machine-readable form.*”.

12           (4) *CLERICAL AMENDMENTS.*—

13           (A) *The table of sections for subpart A of*  
 14           *part III of subchapter A of chapter 61 is amend-*  
 15           *ed by inserting after the item relating to section*  
 16           *6039J the following new items:*

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

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

17           (B) *The table of sections for part II of sub-*  
 18           *chapter B of chapter 68 is amended by inserting*  
 19           *after the item relating to section 6725 the fol-*  
 20           *lowing new item:*

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



1           (5) *EFFECTIVE DATE.*—*The amendments made*  
 2           *by this subsection shall apply to taxable years begin-*  
 3           *ning after the date of the enactment of this Act.*

4           (e) *SECRETARY REPORTING OF DATA ON OPPOR-*  
 5           *TUNITY ZONE AND RURAL OPPORTUNITY ZONE TAX INCEN-*  
 6           *TIVES.*—

7           (1) *IN GENERAL.*—*In addition to amounts other-*  
 8           *wise available, there is appropriated, out of any*  
 9           *money in the Treasury not otherwise appropriated,*  
 10          *\$15,000,000, to remain available until September 30,*  
 11          *2028, for necessary expenses of the Internal Revenue*  
 12          *Service to make the reports described in paragraph*  
 13          *(2).*

14          (2) *REPORTS.*—*As soon as practical after the*  
 15          *date of the enactment of this Act, and annually there-*  
 16          *after, the Secretary of the Treasury, or the Secretary’s*  
 17          *delegate (referred to in this section as the “Sec-*  
 18          *retary”)* shall make publicly available a report on  
 19          *qualified opportunity funds.*

20          (3) *INFORMATION INCLUDED.*—*The report re-*  
 21          *quired under paragraph (2) shall include, to the ex-*  
 22          *tent available, the following information:*

23                  (A) *The number of qualified opportunity*  
 24                  *funds.*

1           (B) *The aggregate dollar amount of assets*  
2           *held in qualified opportunity funds.*

3           (C) *The aggregate dollar amount of invest-*  
4           *ments made by qualified opportunity funds in*  
5           *qualified opportunity fund property, stated sepa-*  
6           *rately for each North American Industry Classi-*  
7           *fication System (NAICS) code.*

8           (D) *The percentage of population census*  
9           *tracts designated as qualified opportunity zones*  
10          *that have received qualified opportunity fund in-*  
11          *vestments.*

12          (E) *For each population census tract des-*  
13          *ignated as a qualified opportunity zone, the ap-*  
14          *proximate average monthly number of full-time*  
15          *equivalent employees of the qualified opportunity*  
16          *zone businesses in such qualified opportunity*  
17          *zone for the preceding 12-month period (within*  
18          *numerical ranges identified by the Secretary) or*  
19          *such other indication of the employment impact*  
20          *of such qualified opportunity fund businesses as*  
21          *determined appropriate by the Secretary.*

22          (F) *The percentage of the total amount of*  
23          *investments made by qualified opportunity funds*  
24          *in—*

1                   (i) *qualified opportunity zone property*  
 2                   *which is real property; and*

3                   (ii) *other qualified opportunity zone*  
 4                   *property.*

5                   (G) *For each population census tract, the*  
 6                   *aggregate approximate number of residential*  
 7                   *units resulting from investments made by quali-*  
 8                   *fied opportunity funds in real property.*

9                   (H) *The aggregate dollar amount of invest-*  
 10                   *ments made by qualified opportunity funds in*  
 11                   *each population census tract.*

12                   (4) *ADDITIONAL INFORMATION.—*

13                   (A) *IN GENERAL.—Beginning with the re-*  
 14                   *port submitted under paragraph (2) for the 6th*  
 15                   *year after the date of the enactment of this Act,*  
 16                   *the Secretary shall include in such report the im-*  
 17                   *pacts and outcomes of a designation of a popu-*  
 18                   *lation census tract as a qualified opportunity*  
 19                   *zone as measured by economic indicators, such*  
 20                   *as job creation, poverty reduction, new business*  
 21                   *starts, and other metrics as determined by the*  
 22                   *Secretary.*

23                   (B) *SEMI-DECENNIAL INFORMATION.—*

24                   (i) *IN GENERAL.—In the case of any*  
 25                   *report submitted under paragraph (2) in*

1           the 6th year or the 11th year after the date  
2           of the enactment of this Act, the Secretary  
3           shall include the following information:

4                   (I) For population census tracts  
5                   designated as a qualified opportunity  
6                   zone, a comparison (based on aggregate  
7                   information) of the factors listed in  
8                   clause (iii) between the 5-year period  
9                   ending on the date of the enactment of  
10                  Public Law 115–97 and the most re-  
11                  cent 5-year period for which data is  
12                  available.

13                  (II) For population census tracts  
14                  designated as a qualified opportunity  
15                  zone, a comparison (based on aggregate  
16                  information) of the factors listed in  
17                  clause (iii) for the most recent 5-year  
18                  period for which data is available be-  
19                  tween such population census tracts  
20                  and similar population census tracts  
21                  that were not designated as a qualified  
22                  opportunity zone.

23                  (ii) CONTROL GROUPS.—For purposes  
24                  of clause (i), the Secretary may combine  
25                  population census tracts into such groups as

1           *the Secretary determines appropriate for*  
2           *purposes of making comparisons.*

3           *(iii) FACTORS LISTED.—The factors*  
4           *listed in this clause are the following:*

5                     *(I) The unemployment rate.*

6                     *(II) The number of persons work-*  
7                     *ing in the population census tract, in-*  
8                     *cluding the percentage of such persons*  
9                     *who were not residents in the popu-*  
10                    *lation census tract in the preceding*  
11                    *year.*

12                    *(III) Individual, family, and*  
13                    *household poverty rates.*

14                    *(IV) Median family income of*  
15                    *residents of the population census*  
16                    *tract.*

17                    *(V) Demographic information on*  
18                    *residents of the population census*  
19                    *tract, including age, income, edu-*  
20                    *cation, race, and employment.*

21                    *(VI) The average percentage of in-*  
22                    *come of residents of the population cen-*  
23                    *sus tract spent on rent annually.*

24                    *(VII) The number of residences in*  
25                    *the population census tract.*

1                   (VIII) *The rate of home ownership*  
 2                   *in the population census tract.*

3                   (IX) *The average value of residen-*  
 4                   *tial property in the population census*  
 5                   *tract.*

6                   (X) *The number of affordable*  
 7                   *housing units in the population census*  
 8                   *tract.*

9                   (XI) *The number of new business*  
 10                  *starts in the population census tract.*

11                  (XII) *The distribution of employ-*  
 12                  *ees in the population census tract by*  
 13                  *North American Industry Classifica-*  
 14                  *tion System (NAICS) code.*

15                  (5) *PROTECTION OF IDENTIFIABLE RETURN IN-*  
 16                  *FORMATION.—In making reports required under this*  
 17                  *subsection, the Secretary—*

18                   (A) *shall establish appropriate procedures*  
 19                   *to ensure that any amounts reported do not dis-*  
 20                   *close taxpayer return information that can be*  
 21                   *associated with any particular taxpayer or com-*  
 22                   *petitive or proprietary information, and*

23                   (B) *if necessary to protect taxpayer return*  
 24                   *information, may combine information required*

1           *with respect to individual population census*  
 2           *tracts into larger geographic areas.*

3           (6) *DEFINITIONS.*—*Any term used in this sub-*  
 4           *section which is also used in subchapter Z of chapter*  
 5           *1 of the Internal Revenue Code of 1986 shall have the*  
 6           *meaning given such term under such subchapter.*

7           (7) *REPORTS ON QUALIFIED RURAL OPPOR-*  
 8           *TUNITY FUNDS.*—*The Secretary shall make publicly*  
 9           *available, with respect to qualified rural opportunity*  
 10          *funds, separate reports as required under this sub-*  
 11          *section, applied—*

12                 (A) *by substituting “qualified rural oppor-*  
 13                 *tunity” for “qualified opportunity” each place it*  
 14                 *appears,*

15                 (B) *by substituting a reference to this Act*  
 16                 *for “Public Law 115–97”, and*

17                 (C) *by treating any reference (after the ap-*  
 18                 *plication of subparagraph (A)) to qualified rural*  
 19                 *opportunity zone stock, qualified rural oppor-*  
 20                 *tunity zone partnership interest, qualified rural*  
 21                 *opportunity zone business, or qualified oppor-*  
 22                 *tunity zone business property as stock, interest,*  
 23                 *business, or property, respectively, described in*  
 24                 *subclause (I) or (II), as the case may be, of sec-*

1            *tion 1400Z-2(b)(2)(C)(i) of the Internal Revenue*  
 2            *Code of 1986.*

3    **SEC. 70422. PERMANENT ENHANCEMENT OF LOW-INCOME**  
 4            **HOUSING TAX CREDIT.**

5            *(a) PERMANENT STATE HOUSING CREDIT CEILING IN-*  
 6    *CREASE FOR LOW-INCOME HOUSING CREDIT.—*

7            *(1) IN GENERAL.—Section 42(h)(3)(I) is amend-*  
 8            *ed—*

9                    *(A) by striking “2018, 2019, 2020, and*  
 10            *2021,” and inserting “beginning after December*  
 11            *31, 2025,”*

12                    *(B) by striking “1.125” and inserting*  
 13            *“1.12”, and*

14                    *(C) by striking “2018, 2019, 2020, AND 2021”*  
 15            *in the heading and inserting “CALENDAR YEARS*  
 16            *AFTER 2025”.*

17            *(2) EFFECTIVE DATE.—The amendments made*  
 18            *by this subsection shall apply to calendar years begin-*  
 19            *ning after December 31, 2025.*

20            *(b) TAX-EXEMPT BOND FINANCING REQUIREMENT.—*

21            *(1) IN GENERAL.—Section 42(h)(4) is amended*  
 22            *by striking subparagraph (B) and inserting the fol-*  
 23            *lowing:*

24                    *“(B) SPECIAL RULE WHERE MINIMUM PER-*  
 25            *CENT OF BUILDINGS IS FINANCED WITH TAX-EX-*



1        *EMPTY BONDS SUBJECT TO VOLUME CAP.—For*  
 2        *purposes of subparagraph (A), paragraph (1)*  
 3        *shall not apply to any portion of the credit al-*  
 4        *lowable under subsection (a) with respect to a*  
 5        *building if—*

6                *“(i) 50 percent or more of the aggre-*  
 7                *gate basis of such building and the land on*  
 8                *which the building is located is financed by*  
 9                *1 or more obligations described in subpara-*  
 10              *graph (A), or*

11              *“(ii)(I) 25 percent or more of the ag-*  
 12              *gregate basis of such building and the land*  
 13              *on which the building is located is financed*  
 14              *by 1 or more obligations described in sub-*  
 15              *paragraph (A), and*

16              *“(II) 1 or more of such obligations—*

17                      *“(aa) are part of an issue the*  
 18                      *issue date of which is after December*  
 19                      *31, 2025, and*

20                      *“(bb) provide the financing for*  
 21                      *not less than 5 percent of the aggregate*  
 22                      *basis of such building and the land on*  
 23                      *which the building is located.”.*

24        *(2) EFFECTIVE DATE.—*

1           (A) *IN GENERAL.*—*The amendment made*  
 2           *by this subsection shall apply to buildings placed*  
 3           *in service in taxable years beginning after De-*  
 4           *cember 31, 2025.*

5           (B)     *REHABILITATION     EXPENDITURES*  
 6           *TREATED AS SEPARATE NEW BUILDING.*—*In the*  
 7           *case of any building with respect to which any*  
 8           *expenditures are treated as a separate new build-*  
 9           *ing under section 42(e) of the Internal Revenue*  
 10          *Code of 1986, for purposes of subparagraph (A),*  
 11          *both the existing building and the separate new*  
 12          *building shall be treated as having been placed*  
 13          *in service on the date such expenditures are*  
 14          *treated as placed in service under section*  
 15          *42(e)(4) of such Code.*

16 **SEC. 70423. PERMANENT EXTENSION OF NEW MARKETS TAX**  
 17 **CREDIT.**

18          (a) *IN GENERAL.*—*Section 45D(f)(1)(H) is amended*  
 19          *by striking “for for each of calendar years 2020 through*  
 20          *2025” and inserting “ for each calendar year after 2019”.*

21          (b) *CARRYOVER OF UNUSED LIMITATION.*—*Section*  
 22          *45D(f)(3) is amended—*

23                 (1) *by striking “If the” and inserting the fol-*  
 24                 *lowing:*

25                         “(A) *IN GENERAL.*—*If the”, and*

1           (2) by striking the second sentence and inserting  
2           the following:

3                   “(B) *LIMITATION.*—No amount may be car-  
4                   ried under subparagraph (A) to any calendar  
5                   year afer the fifth calendar year after the cal-  
6                   endar year in which the excess described in such  
7                   subparagraph occurred. For purposes of this sub-  
8                   paragraph, any excess described in subparagraph  
9                   (A) with respect to any calendar year before  
10                  2026 shall be treated as occurring in calendar  
11                  year 2025.”.

12           (c) *EFFECTIVE DATE.*—The amendments made by this  
13           section shall apply to calendar years beginning after De-  
14           cember 31, 2025.

15   **SEC. 70424. PERMANENT AND EXPANDED REINSTATEMENT**  
16                   **OF PARTIAL DEDUCTION FOR CHARITABLE**  
17                   **CONTRIBUTIONS OF INDIVIDUALS WHO DO**  
18                   **NOT ELECT TO ITEMIZE.**

19           (a) *IN GENERAL.*—Section 170(p) is amended—

20                   (1) by striking “\$300 (\$600” and inserting  
21                   “\$1,000 (\$2,000”, and

22                   (2) by striking “beginning in 2021”.

23           (b) *EFFECTIVE DATE.*—The amendments made by this  
24           section shall apply to taxable years beginning after Decem-  
25           ber 31, 2025.

1 **SEC. 70425. 0.5 PERCENT FLOOR ON DEDUCTION OF CON-**  
 2 **TRIBUTIONS MADE BY INDIVIDUALS.**

3 *(a) IN GENERAL.—*

4 *(1) IN GENERAL.—Paragraph (1) of section*  
 5 *170(b) is amended by adding at the end the following*  
 6 *new subparagraph:*

7 *“(I) 0.5-PERCENT FLOOR.—Any charitable*  
 8 *contribution otherwise allowable (without regard*  
 9 *to this subparagraph) as a deduction under this*  
 10 *section shall be allowed only to the extent that*  
 11 *the aggregate of such contributions exceeds 0.5*  
 12 *percent of the taxpayer’s contribution base for*  
 13 *the taxable year. The preceding sentence shall be*  
 14 *applied—*

15 *“(i) first, by taking into account chari-*  
 16 *table contributions to which subparagraph*  
 17 *(D) applies to the extent thereof,*

18 *“(ii) second, by taking into account*  
 19 *charitable contributions to which subpara-*  
 20 *graph (C) applies to the extent thereof,*

21 *“(iii) third, by taking into account*  
 22 *charitable contributions to which subpara-*  
 23 *graph (B) applies to the extent thereof,*

24 *“(iv) fourth, by taking into account*  
 25 *charitable contributions to which subpara-*  
 26 *graph (E) applies to the extent thereof,*

1                   “(v) *fifth, by taking into account char-*  
 2                   *itable contributions to which subparagraph*  
 3                   *(A) applies to the extent thereof, and*

4                   “(vi) *sixth, by taking into account*  
 5                   *charitable contributions to which subpara-*  
 6                   *graph (G) applies to the extent thereof.”.*

7                   (2) *APPLICATION OF CARRYFORWARD.—Para-*  
 8                   *graph (1) of section 170(d) is amended by adding at*  
 9                   *the end the following new subparagraph:*

10                   “(C) *CONTRIBUTIONS DISALLOWED BY 0.5-*  
 11                   *PERCENT FLOOR CARRIED FORWARD ONLY FROM*  
 12                   *YEARS IN WHICH LIMITATION IS EXCEEDED.—*

13                   “(i) *IN GENERAL.—In the case of any*  
 14                   *taxable year from which an excess is carried*  
 15                   *forward (determined without regard to this*  
 16                   *subparagraph) under any carryover rule,*  
 17                   *the applicable carryover rule shall be ap-*  
 18                   *plied by increasing the excess determined*  
 19                   *under such applicable carryover rule for the*  
 20                   *contribution year (before the application of*  
 21                   *subparagraph (B)) by the amount attrib-*  
 22                   *utable to the charitable contributions to*  
 23                   *which such rule applies which is not al-*  
 24                   *lowed as a deduction for the contribution*  
 25                   *year by reason of subsection (b)(1)(I).*

1                   “(ii) *CARRYOVER RULE.*—For purposes  
2                   of this subparagraph, the term ‘carryover  
3                   rule’ means—

4                   “(I) subparagraph (A) of this  
5                   paragraph,

6                   “(II) subparagraphs (C)(ii),  
7                   (D)(ii), (E)(ii), and (G)(ii) of sub-  
8                   section (b)(1), and

9                   “(III) the second sentence of sub-  
10                  section (b)(1)(B).

11                  “(iii) *APPLICABLE CARRYOVER*  
12                  *RULE.*—For purposes of this subparagraph,  
13                  the term ‘applicable carryover rule’ means  
14                  any carryover rule applicable to charitable  
15                  contributions which were (in whole or in  
16                  part) not allowed as a deduction for the  
17                  contribution year by reason of subsection  
18                  (b)(1)(I).”.

19                  (3) *COORDINATION WITH DEDUCTION FOR NON-*  
20                  *ITEMIZERS.*—Section 170(p), as amended by this Act,  
21                  is further amended by inserting “, (b)(1)(I),” after  
22                  “subsections (b)(1)(G)(ii)”.

23                  (b) *MODIFICATION OF LIMITATION FOR CASH CON-*  
24                  *TRIBUTIONS.*—

1           (1) *IN GENERAL.*—Clause (i) of section  
2       170(b)(1)(G) is amended to read as follows:

3                   “(i) *IN GENERAL.*—For taxable years  
4               beginning after December 31, 2017, any  
5               contribution of cash to an organization de-  
6               scribed in subparagraph (A) shall be al-  
7               lowed as a deduction under subsection (a)  
8               to the extent that the aggregate of such con-  
9               tributions does not exceed the excess of—

10                   “(I) 60 percent of the taxpayer’s  
11               contribution base for the taxable year,  
12               over

13                   “(II) the aggregate amount of con-  
14               tributions taken into account under  
15               subparagraph (A) for such taxable  
16               year.”.

17       (2) *COORDINATION WITH OTHER LIMITATIONS.*—

18           (A) *IN GENERAL.*—Clause (iii) of section  
19       170(b)(1)(G) is amended—

20                   (i) by striking “*SUBPARAGRAPHS (A)*  
21               *AND (B)*” in the heading and inserting  
22               “*SUBPARAGRAPH (A)*”, and

23                   (ii) in subclause (II), by striking “,  
24               and subparagraph (B)” and all that follows  
25               through “this subparagraph”.

1                   (B) *OTHER CONTRIBUTIONS.*—Subpara-  
 2                   graph (B) of section 170(b)(1) is amended—

3                   (i) by striking “to which subparagraph  
 4                   (A)” both places it appears and inserting  
 5                   “to which subparagraph (A) or (G)”, and

6                   (ii) in clause (ii), by striking “over the  
 7                   amount” and all that follows through “sub-  
 8                   paragraph (C)).” and inserting “over—

9                   “(I) the amount of charitable con-  
 10                  tributions allowable under subpara-  
 11                  graph (A) (determined without regard  
 12                  to subparagraph (C)) and subpara-  
 13                  graph (G), reduced by

14                  “(II) so much of the contributions  
 15                  taken into account under subpara-  
 16                  graph (G) as does not exceed 10 per-  
 17                  cent of the taxpayer’s contribution  
 18                  base.”.

19           (c) *EFFECTIVE DATE.*—The amendments made by this  
 20           section shall apply to taxable years beginning after Decem-  
 21           ber 31, 2025.



1 **SEC. 70426. 1-PERCENT FLOOR ON DEDUCTION OF CHARI-**  
 2 **TABLE CONTRIBUTIONS MADE BY CORPORA-**  
 3 **TIONS.**

4 (a) *IN GENERAL.*—Section 170(b)(2)(A) is amended to  
 5 read as follows:

6 “(A) *IN GENERAL.*—Any charitable con-  
 7 tribution otherwise allowable (without regard to  
 8 this subparagraph) as a deduction under this  
 9 section for any taxable year, other than any con-  
 10 tribution to which subparagraph (B) or (C) ap-  
 11 plies, shall be allowed only to the extent that the  
 12 aggregate of such contributions—

13 “(i) exceeds 1 percent of the taxpayer’s  
 14 taxable income for the taxable year, and

15 “(ii) does not exceed 10 percent of the  
 16 taxpayer’s taxable income for the taxable  
 17 year.”.

18 (b) *APPLICATION OF CARRYFORWARD.*—Section  
 19 170(d)(2) is amended to read as follows:

20 “(2) *CORPORATIONS.*—

21 “(A) *IN GENERAL.*—Any charitable con-  
 22 tribution taken into account under subsection  
 23 (b)(2)(A) for any taxable year which is not al-  
 24 lowed as a deduction by reason of clause (ii)  
 25 thereof shall be taken into account as a chari-  
 26 table contribution for the succeeding taxable

year, except that, for purposes of determining under this subparagraph whether such contribution is allowed in such succeeding taxable year, contributions in such succeeding taxable year (determined without regard to this paragraph) shall be taken into account under subsection (b)(2)(A) before any contribution taken into account by reason of this paragraph.

“(B) 5-YEAR CARRYFORWARD.—No charitable contribution may be carried forward under subparagraph (A) to any taxable year following the fifth taxable year after the taxable year in which the charitable contribution was first taken into account. For purposes of the preceding sentence, contributions shall be treated as allowed on a first-in first-out basis.

“(C) CONTRIBUTIONS DISALLOWED BY 1-PERCENT FLOOR CARRIED FORWARD ONLY FROM YEARS IN WHICH 10 PERCENT LIMITATION IS EXCEEDED.—In the case of any taxable year from which a charitable contribution is carried forward under subparagraph (A) (determined without regard to this subparagraph), subparagraph (A) shall be applied by substituting ‘clause (i) or (ii)’ for ‘clause (ii)’.

1                   “(D) *SPECIAL RULE FOR NET OPERATING*  
 2                   *LOSS CARRYOVERS.*—*The amount of charitable*  
 3                   *contributions carried forward under subpara-*  
 4                   *graph (A) shall be reduced to the extent that such*  
 5                   *carryforward would (but for this subparagraph)*  
 6                   *reduce taxable income (as computed for purposes*  
 7                   *of the second sentence of section 172(b)(2)) and*  
 8                   *increase a net operating loss carryover under*  
 9                   *section 172 to a succeeding taxable year.”.*

10           (c) *CONFORMING AMENDMENTS.*—*Subparagraphs*  
 11           *(B)(ii) and (C)(ii) of section 170(b)(2) are each amended*  
 12           *by inserting “other than subparagraph (C) thereof” after*  
 13           *“subsection (d)(2)”.*

14           (d) *EFFECTIVE DATE.*—*The amendments made by this*  
 15           *section shall apply to taxable years beginning after Decem-*  
 16           *ber 31, 2025.*

17   **SEC. 70427. PERMANENT INCREASE IN LIMITATION ON**  
 18                   **COVER OVER OF TAX ON DISTILLED SPIRITS.**

19           (a) *IN GENERAL.*—*Paragraph (1) of section 7652(f) is*  
 20           *amended to read as follows:*

21                   “(1) \$13.25, or”.

22           (b) *EFFECTIVE DATE.*—*The amendment made by this*  
 23           *section shall apply to distilled spirits brought into the*  
 24           *United States after December 31, 2025.*

1 **SEC. 70428. NONPROFIT COMMUNITY DEVELOPMENT AC-**  
 2 **TIVITIES IN REMOTE NATIVE VILLAGES.**

3       (a) *IN GENERAL.*—For purposes of subchapter F of  
 4 chapter 1 of the Internal Revenue Code of 1986, any activ-  
 5 ity substantially related to participation or investment in  
 6 fisheries in the Bering Sea and Aleutian Islands statistical  
 7 and reporting areas (as described in Figure 1 of section  
 8 679 of title 50, Code of Federal Regulations) carried on by  
 9 an entity identified in section 305(i)(1)(D) of the Magnu-  
 10 son-Stevens Fishery Conservation and Management Act (16  
 11 U.S.C. 1855(i)(1)(D)) (as in effect on the date of enactment  
 12 of this section) shall be considered substantially related to  
 13 the exercise or performance of the purpose constituting the  
 14 basis of such entity's exemption under section 501(a) of such  
 15 Code if the conduct of such activity is in furtherance of 1  
 16 or more of the purposes specified in section 305(i)(1)(A) of  
 17 such Act (as so in effect). For purposes of this paragraph,  
 18 activities substantially related to participation or invest-  
 19 ment in fisheries include the harvesting, processing, trans-  
 20 portation, sales, and marketing of fish and fish products  
 21 of the Bering Sea and Aleutian Islands statistical and re-  
 22 porting areas.

23       (b) *APPLICATION TO CERTAIN WHOLLY OWNED SUB-*  
 24 *SIDIARIES.*—If the assets of a trade or business relating to  
 25 an activity described in subsection (a) of any subsidiary  
 26 wholly owned by an entity identified in section

1 305(i)(1)(D) of the Magnuson-Stevens Fishery Conservation  
 2 and Management Act (16 U.S.C. 1855(i)(1)(D)) (as in ef-  
 3 fect on the date of enactment of this section) are transferred  
 4 to such entity (including in liquidation of such subsidiary)  
 5 not later than 18 months after the date of the enactment  
 6 of this Act—

7 (1) no gain or income resulting from such trans-  
 8 fer shall be recognized to either such subsidiary or  
 9 such entity under such Code, and

10 (2) all income derived from such subsidiary from  
 11 such transferred trade or business shall be exempt  
 12 from taxation under such Code.

13 (c) *EFFECTIVE DATE.*—This section shall take effect  
 14 on the date of the enactment of this Act and shall remain  
 15 effective during the existence of the western Alaska commu-  
 16 nity development quota program established by Section  
 17 305(i)(1) of the Magnuson-Stevens Fishery Conservation  
 18 and Management Act (16 U.S.C. 1855(i)(1)), as amended.

19 **SEC. 70429. ADJUSTMENT OF CHARITABLE DEDUCTION FOR**  
 20 **CERTAIN EXPENSES INCURRED IN SUPPORT**  
 21 **OF NATIVE ALASKAN SUBSISTENCE WHALING.**

22 (a) *IN GENERAL.*—Section 170(n)(1) of the Internal  
 23 Revenue Code of 1986 is amended by striking “\$10,000”  
 24 and inserting “\$50,000”.

1       (b) *EFFECTIVE DATE.*—*The amendments made by this*  
 2 *section shall apply to taxable years beginning after Decem-*  
 3 *ber 31, 2025.*

4 **SEC. 70430. EXCEPTION TO PERCENTAGE OF COMPLETION**  
 5 **METHOD OF ACCOUNTING FOR CERTAIN RES-**  
 6 **IDENTIAL CONSTRUCTION CONTRACTS.**

7       (a) *IN GENERAL.*—*Section 460(e) is amended—*

8               (1) *in paragraph (1)—*

9                       (A) *by striking “home construction con-*  
 10 *tract” both places it appears and inserting “resi-*  
 11 *dential construction contract”, and*

12                      (B) *by inserting “(determined by sub-*  
 13 *stituting ‘3-year’ for ‘2-year’ in subparagraph*  
 14 *(B)(i) for any residential construction contract*  
 15 *which is not a home construction contract)” after*  
 16 *“the requirements of clauses (i) and (ii) of sub-*  
 17 *paragraph (B)”,*

18               (2) *by striking paragraph (4) and redesignating*  
 19 *paragraph (5) as paragraph (4), and*

20               (3) *in subparagraph (A) of paragraph (4), as so*  
 21 *redesignated, by striking “paragraph (4)” and insert-*  
 22 *ing “paragraph (3)”.*

23       (b) *APPLICATION OF EXCEPTION FOR PURPOSES OF*  
 24 *ALTERNATIVE MINIMUM TAX.*—*Section 56(a)(3) is amend-*  
 25 *ed by striking “any home construction contract (as defined*

1 *in section 460(e)(6))” and inserting “any residential con-*  
 2 *struction contract (as defined in section 460(e)(4))”.*

3 *(c) EFFECTIVE DATE.—The amendments made by this*  
 4 *section shall apply to contracts entered into in taxable years*  
 5 *beginning after the date of the enactment of this Act.*

6 ***Subchapter D—Permanent Investments in***  
 7 ***Small Business and Rural America***

8 ***SEC. 70431. EXPANSION OF QUALIFIED SMALL BUSINESS***  
 9 ***STOCK GAIN EXCLUSION.***

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

12 *(1) IN GENERAL.—Section 1202(a)(1) is amend-*  
 13 *ed to read as follows:*

14 *“(1) IN GENERAL.— In the case of a taxpayer*  
 15 *other than a corporation, gross income shall not in-*  
 16 *clude—*

17 *“(A) except as provided in paragraphs (3)*  
 18 *and (4), 50 percent of any gain from the sale or*  
 19 *exchange of qualified small business stock ac-*  
 20 *quired on or before the applicable date and held*  
 21 *for more than 5 years, and*

22 *“(B) the applicable percentage of any gain*  
 23 *from the sale or exchange of qualified small busi-*  
 24 *ness stock acquired after the applicable date and*  
 25 *held for at least 3 years.”.*