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AMENDMENT NO. Calendar No. Purpose: To proYide a perfecting amendment.

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**IN THE SENATE OF THE UNITED STATES-115th Cong., 1st Sess.**

## H.R.1

To provide for reeoneiliation pursuant to titles II and V of the eoncurrent resolution on the budget for fiseal year 2018.

Referred to the Committee on ---------- and

ordered to he printed

Ordered to lie on the table and to be printed

**Al\IENDMENT** intended to be proposed by

---------- to the amendment (No.--- ) proposed by \_

Viz:

**1** Strike all after the first word and insert the following:

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2

# TITLE I

1. **SEC. 11000. SHORT TITLE, ETC.**
2. (a) SHORT TITLE.-This title may be cited as the
3. "Tax Cuts and Jobs Act".
4. (b) A)rn D:\IENT OP 1!}86 CODE.-Except as other-
5. ,vise expressly provided, whenever in this title an amend-
6. ment or repeal is expressed in terms of an amendment
7. to, or repeal of, a section or other provision, the reference
8. shall be considered to be made to a section or other provi-
9. sion of the Internal Revenue Code of 1986.

# Subtitle A-Individual Tax Reform

1. PART I-TAX RATE REFORM
2. **SEC. 11001. MODIFICATION OF RATES.**
3. (a) IN GEXERAL.-Section 1 is amended by adding
4. at the end tlw following new subsection:
5. "(j) MODIPICATIONS POR TA.r.XABLE YEARS 2018
6. THROUGH 2025.-
7. "(l) I GENERAL.-In the case of a taxable
8. year beginning after December :n, 2017, and before

20 ,January 1, 2026-

1. "(A) subsection (i) shall not apply, and
2. "(B) this section (other than subsection
3. (i)) shall be applied as provided in paragraphs
4. (2) through (7).
5. "(2) RATE T..\BLEK-

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3

* 1. "(A) MARRIED IXDIYIDUALS FILING JOINT
  2. RETURNS AND SURVIVING SPOUSES.-The fol­
  3. lowing table shall be applied in lieu of the table
  4. eontaincd in subscetion (a):

"If **taxable income is: The tax is:**

Not owr $19,050 ...................................... 10%- of taxable income.

Over $19,050 but not over $77,-100 .......... $1,905, plus 12% of the exress over

$19,050.

Over $77,400 hut not ow1· $140,000 ........ $8,907, plus 22% of the excess over

$77,400.

Over $140,000 hut not over $320,000 ...... $22,679, plus 24% of the excess

over $140,000.

Over $320,000 but not over $400,000 ...... $65,879, plus 32% of the excess

OYer $320,QQQ.

Over $400,000 but not over $1,000,000 ... $91,-!79, plus 35% of the excess

over $400,000.

Over $1,000,000 ........................................ $301,479, plus 38.5% of the excess

over $1,000,000.

* 1. "(B) HE.ADS OF HOUSEHOLDS.-Thc fol­
  2. lowing table shall be applied in lieu of the table
  3. contained in subsection (h):

"If **taxable income is: The tax is:**

Not over $13,600 ...................................... 10% of taxc1ble income.

Over $13,600 hut not over $51,800 .......... $1,360, plus 12% of the excess over

$13,600.

Over $51,800 hut not over $70,000 .......... $5,944, plus 22% of the exress over

$51,800.

Over $70,000 hut not over $160,000 ........ $9,948, plus 24% of the exrcss over

$70,000.

Over $1(i0,000 hut not over $200,000 ...... $31,fi48, plus 32% of the excess

over $160,000.

Over $200,000 hut not owr $500,000 ...... $44,348, plus 35% of the excess

over $200,000.

Over $500,000 ........................................... $14!),348, plus 38.5% of the excess

OYel" $500,000.

* 1. "(C) UX lARRIED INDIVIDeAL. s oTHER
  2. THAN SURYIVING SPOUSES AND HEADS OF
  3. HOUSEHOLDS.-The following table shall be ap-

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**1** plied in lieu of the ta hie contained in suhsection

2 (c):

"If **taxable income is: The tax is:**

Not over $9,325 ........................................ 10% of taxable income.

Over $9,525 but not over $38,700 ............ $%2.50, plus 12% of the excess

over $9,525.

Over $38,700 but not owr $70,000 .......... $4,453.50, plus 22% of the excess

over $38,700.

Over $70,000 but not over $160,000 ........ $11,339.50, plus 24% of the excess

over $70,000.

Over $160,000 but not over $200,000 ...... $32,939.50, pins 327c of the excess

over $rn0,00O.

Over $200,000 but not over $500,000 ...... $-15, 739.50, pins 357c of the excess

owr $200,000.

Over $500,000 ........................................... $150,739.50, plus 38.57() of the ex-

cess over $500,000.

1. "(D) MARRIED INDIVIDUALS FILIXG SEPA­
2. RATE RETURNS.-The following table shall be
3. applied in lieu of the table contained in sub­
4. section (d):

"If **taxable income is: The tax is:**

Not over $9,525 ........................................ 10% of taxable income.

Over $9,525 but not over $38,700 ............ $952.50, plus 12% of the excess

over $9,525.

Over $38,700 but not over $70,000 .......... $-1,453.50, plus 22% of the excess

over $38,700.

Over $70,000 but not over $160,000 ........ $11,339.50, plus 24% of the excess

over $70,000.

Over $160,000 but not over $200,000 ...... $32,939.50, pins 327c of the excess

owr $160,000.

Over $200,000 but not over $500,000 ...... $-15, 739.50, pins 35% of the excess

over $200,000.

Over $500,000 ........................................... $150,739.50, plus 38.5% of the ex-

cess over $500,000.

1. "(E) ESTATES *Al'\'D* TRFSTS.-The fol­
2. lowing table shall be applied in lieu of the table
3. contained in subsection (e):

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"If **taxable income is: The tax is:**

Not OYer $2,550 ........................................ 10% of taxable income.

Over $2,550 but not over $9,150 .............. $255, plus 24% of' the excess over

$2,550.

Over $9,150 but not over $12,500 ............ $1,839, plus 35% of the excess over

$9,150.

Over $12,500 ............................................. $3,011.50, plus 38.5% of' the ex-

cess oYer $12,500.

1. "(F) REFERE CES TO RATE TABLES.­
2. Any reference in this title to a rate of tax under
3. subsection (c) shall be treated as a reference to
4. the eorresponding rate braeket under subpara­
5. graph (C) of this paragraph, except that the
6. reference in section :3402 (q)(1) to the third low­
7. est rate of tax applicable under subsection (c)
8. shall he treated as a referenee to the fourth
9. lowest rate of tax under subparagraph (C).
10. "(:3) AD.JUSTMENTS.-
11. " **(A) NO** AD.JPSTMENT IN 2018.-The ta­
12. bles contained in paragraph (2) shall apply
13. without adjustment for taxable years beginning
14. after Deeember 31, 2017, and before ,January 15 1, 2019.
15. "(B) SuBSEQPENT YEARS.-.For taxable
16. years beginning after December 31, 2018, the
17. Secretary shall prescribe tables which shall
18. apply in lieu of the tables eontained in para­
19. graph (2) in the same manner as under para-

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1. graphs (1) and (2) of suhsection (f), except that
2. in prescribing- such tables-
3. "(i) subsection (f)(3) shall be applied
4. by substituting 'calendar year 2017' for
5. 'calendar year 2016' in subparagraph
6. (A)(ii) thereof,
7. "(ii) subsection (f)(7)(B) shall apply
8. to any unmarried individual other than a
9. surYiving spouse or head of household, and
10. "(iii) subsection (f)(8) shall not apply.
11. "( 4) SPECIAL HCLES FOH CERTAIN CHILDREN
12. WITH UNE.ARN :m INCOME.-
13. "(A) IN GEXERAL.-ln the case of a child
14. to whom subsection (g) applies for the taxable
15. year, the rules of subparagraphs **(B)** and (C)
16. shall apply in lieu of the rule under suhsection

17 (g')(l ).

1. **"(B)** MODIFICATIONS TO APPLICABLE
2. HATE Bl{ACKErrs.-In determining the amount
3. of tax imposed by this section for the taxable
4. year on a child descrihed in suhparagraph (A),
5. the income tax tablP otherwise applicable under
6. this subsection to the child shall be applied with
7. the following modifications:

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* 1. "(i) 24-PERCENT BRACKET.-The
  2. maximum taxable income whid1 is taxed at
  3. a rate below 24 percent shall not be more
  4. than the earned taxable ineome of sueh
  5. child.
  6. "(1·1·) *')*}r:-PERCENT BRACKET.-Tl 1e
  7. maximum taxable income which is taxed at
  8. a rate below 35 percent shall not be more
  9. than the sum of-
  10. " (I) the earned taxable income of
  11. such child, plus
  12. "(II) the minimum taxable in­
  13. come for the 35-percent bracket in the
  14. table under paragraph (2)(E) (as ad­
  15. justed under paragraph (8)) for the
  16. taxable year.
  17. "(iii) 38.5-PERCENT BRACKET.-The
  18. maximum taxable income which is taxed at
  19. a rate below 88.5 pcreent shall not be
  20. more than the sum of-
  21. " (I) the earned taxable income of
  22. such child, plus
  23. "(II) the minimum taxable in­
  24. eome for the :38.5-pcrecnt bracket in
  25. the table under paragraph (2)(E) (as

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1. adjusted under paragraph (8)) for the
2. taxable year.
3. "(C) COORDI ATIOX WITH CAPITAL GAI S
4. HATES.-f1-,or purposes of applying seetion 1 (h)
5. (after the modifications under paragraph (5) )­
6. " (i) the maximum zero rate amount
7. shall not be more than the sum of-
8. "(I) the earned taxable income of
9. sueh ehild, plus
10. "(II) the amount in effect under
11. paragraph (5)(B)(i)(IV) for the tax­
12. able year, and
13. " (ii) the maximum 15-percent rate
14. amount shall not be more than the sum
15. of-
16. '' (I) the earned taxable income of
17. such child, plus
18. "(II) the amount in effect under
19. parag-raph (5)(B)(ii)(IV) for thP tax­
20. able year.
21. "(D) EAHXED TAXABLE INCOME.-For
22. purposes of this paragTaph, the term 'earned
23. taxable income' means, with respect to any
24. ehild for any taxable year, the taxable ineomc
25. of such child reduced (but not below zero) by

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1. the net unearned mcome (as defined m suh-
2. section (g) (4)) of such child.
3. **"(5) APPLICATION OF1 CPRRENT INCOME TiLX**
4. BltACKE'rS TO CAPIT.:V., GAIXS Bl{ACl<E'rS.-
5. "(A) Ix GENERAL.-Section l(h)(l) shall
6. he applied-

? "(i) by snbstituting· 'below the max-

1. imum zero rate amount' for 'which would
2. (without regard to this paragraph) be
3. taxed at a rate below 25 percent' in sub-
4. paragraph **(B)(i),** and
5. "(ii) by substituting 'below the max-
6. 1mum 15-percent rate amount' for 'which
7. would (without regard to this paragraph)
8. be taxed at a rate below 89.6 percent' in
9. subparagraph (C)(ii)(I).
10. "(B) MA...XIMUl\:1 .A..vIOFNTS DEFIXED.-For
11. purposes of applying section 1 (h) with the
12. modifications described in subparagraph (A)-
13. " (i) MAXDICVI ZERO RATE
14. AMOUXT.-The maxmmm zero rate
15. amount shall be-
16. " (I) in the case of a joint return
17. or surTiving spouse, $77,200,

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* 1. "(II) in the case of an individual
  2. who is a head of household (as de­
  3. fined in section 2(b)), $51,700,
  4. "(III) in the ease of any other in­
  5. diYidual (other than an estate or
  6. trust), an amount equal to ½ of the
  7. amount in effect for the taxable year
  8. under subclause (I), and
  9. "(IV) in the ease of an estate or

10 trust, $2,600.

11 **''(1"1")**

**lV.l**,**.1**,T**\.**T**Al lCM 15-PERCENT RATE**

1. AMOl:NT.-The maximum 15-pereent rate
2. amount shall be-
3. "(I) in the ease of a joint return
4. or surviving spouse, $479,000 (½
5. such amount in the case of a married
6. individual filing a separate return),
7. "(II) in the case of an individual
8. who is the head of a household (as de­
9. fined in section 2(b)), $452,400,
10. "(III) in the case of any other in­
11. dividual (other than an estate or

23 trust), $425,800, and

24 "(IV) in the ease of an estate or

25 trust, $12,700.

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1. "(C) lN:B,lATION ADJVSTMENT.-ln the
2. ease of any taxable year beg·inning· after 2018,
3. each of the dollar amounts in clauses (i) and
4. (ii) of subparagraph (B) shall be im reased by
5. an amount equal to-
6. "(i) such dollar amount, multiplied hy
7. "(ii) the cost-of-liYing· adjustment de-
8. termined under subsection (f) (3) for the
9. calendar year in which the taxable year be-
10. gins, determined by substituting 'calendar
11. year 2017' for 'calendar year 2016' in suh-
12. paragraph (A)(ii) thereof.
13. "(6) SECTION 15 NOT TO APPLY.-Section 15
14. shall not apply to any change in a rate of tax by rea-
15. son of this subsection.".
16. (h) DUE DILIGENCE TAX PREPARER REQUIREMENT
17. WITH RESPECT TO HEAD OB, HOFSEHOLD FILING STA-
18. TCS.-Subsection (g) of section 6695 is amended to read
19. as follows:
20. "(g) FAILPRE TO BE DILIGENT IX DETERMINING
21. ELIGIBILITY FOR CERTAIN TA...X BENEFITS.-Any person
22. who is a tax return preparer with respect to any return
23. or claim for refund who fails to comply with due diligence
24. requirements imposed by the Secretary by regulations with
25. respect to determining-

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* 1. " (**1)** eligihility to file as a head of household (as
  2. defined in section 2(b)) on the return, or
  3. "(2) eligihility for, or the amount of, the credit
  4. allowable by section 24, 25A(a)(l), or 32,
  5. shall pay a penalty of $500 for each such failure.".
  6. (c) EF:F'ECTIYE DATE.-The amendments made hy
  7. this section shall apply to taxable years beg·inning after

8 December 31, 2017.

9 **SEC. 11002. INFLATION ADJUSTMENTS BASED ON CHAINED**

1. CPI.
2. (a) IN GENERAL.-Suhsectiou (f) of section 1 is
3. amended by striking paragraph (3) and by inserting after
4. paragraph (2) the following new paragraph:
5. "(3) Cos T-01•1 -U VIXG AD.JUST.\1EXT.-For pur-
6. poses of this subsection-
7. "(A) Ix GEXERAL.-The cost-of-foing ad-
8. justment for any calendar year is the percent­
9. age (if any) by which-
10. "(i) the C-CPI-U for the preceding
11. calendar year, exceeds
12. "(ii) the CPI for calendar year 2016,
13. multiplied by the amount determined
14. under subparagraph (B).

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1. "(B) *Al\iIOVXT* DETERMINED.-The
2. amount <letermine<l un<ler this clause is the
3. amount obtained by dividing-
4. "(i) the C-CPI-U for ealcndar year 5 2016, by
5. "(ii) the CPI for calendar yPar 2016.
6. " (C) SPECIAL RlTLE FOR AD.JUST:MENTS
7. WITH A BASE YEAR M"'TER 2016.-For purposes
8. of any provision of this title whieh providPs for
9. the substitution of a year after 2016 for '2016'
10. in subparagraph (A)(ii), subparagraph (A) shall
11. be applied by substituting· 'the C-CPI- U for ( al­
12. endar year 2016' for 'the CPI for calendar year
13. 2016' and all that follows in clause (ii) there­ 15 of.".
14. (b) C-CPI- U.-Suhsection (f) of section 1 is amended
15. by striking· paragraph (7), by re<lesignating· parag-raph (6)
16. as paragraph (7), and by inserting after paragraph (5)
17. the following new paragraph:
18. "(6) C-CPI-U.-For purposes of this sub-
19. section-
20. "(A) Ix GEXERAL.-The term 'C-CPI-U'
21. means the Chained Consumer Price Index for
22. All Urban Consumers (as published by the Bu­
23. reau of Labor Statistics of the Department of

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1. Lahor). The values of the Chained Consumer
2. Price Index for All Urban Consumers taken
3. into account for purposes of determining the
4. cost-of-living a justment for any calendar year
5. under this subsection shall be the latest values
6. so published as of the date on which such Bu-
7. reau publishes the initial value of the Chained
8. Consumer Price Index for All Urban Con-
9. sumers for the month of August for the pre-
10. ceding calendar year.
11. **"(B)** DETERMINATION FOR CALENDAR
12. YEAR.-The C-CPI-U for any calendar year is
13. the average of the C-CPI-U as of the close of
14. the 12-month period ending on August 81 of
15. such calendar year.".
16. (c) APPLICATIO:--; TO PERMANENT TAX TABLES.-
17. Section 1 (f)(2)(A) is amended by inserting ", determined
18. by substituting '1992' for '2016' in paragraph (3)(A)(ii)".
19. (d) APPIJICA'l'IOX 'l'O O'l'IIER IX'l'ERXAL REVEXLE
20. CODE OF 1986 PROVISIOXS.-
21. (**1)** The following sections arc each amended hy
22. striking "for 'calendar year 1992' in snbparagTaph
23. **(B)"** and inserting "for 'calendar year 2016' in sub-
24. paragraph (A)(ii)":

25 (A) Section 2: (h)(2).

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* 1. (B) Paragraphs (l)(A)(ii) and (2)(A)(ii) of
  2. section 25A(h).

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

1. (D) Subscetion (b)(2)(B)(ii)(II), and
2. clauses (i) and (ii) of subsection (j)(l)(B), of
3. section 32.

7 (E) Seetion 36B(f)(2)(B)(ii)(II).

8 (F) Section 4l(e)(5)(C)(i).

9 (G) Subsections (e)(3)(D)(ii) and

10 (h)(3)(H)(i)(II) of section 42.

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

12 (I) Section 55(d)(4)(A)(ii).

13 (J) Section 62(d)(3)(B).

14 (K) Section 63(e)(4)(B).

15 (L) Section 125(i)(2)(B).

16 (M) Section 1:35(h)(2)(B)(ii).

17 (N) Section 137(f)(2).

18 (0) Section 146(d)(2)(B).

19 (P) Seetion 14 7(e)(2)(H)(ii).

20 (Q) Section 151(<l)(4)(B).

21 (R) Section 179(b)(6)(A)(ii).

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

24 (T) Seetion 220(g;)(2).

25 (U) Section 221(f)(l)(B).

|  |  |  |
| --- | --- | --- |
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| 1 | 16  (V) Section 228(g)(l )(B). |  |
| 2 | (W) Seetion 408A(c)(3)(D)(ii). |  |
| 3 | (X) Section 430(c)(7)(D)(vii)(II). |  |
| 4 | (Y) Section 512(d)(2)(B). |  |
| 5 | (Z) Section 518(h)(2)(C)(ii). |  |
| 6 | (AA) Section 8:H(h)(2)(D)(ii). |  |
| 7 | (BB) Section 877A(a)(3)(B)(i)(II). |  |
| 8 | (CC) Section 2010(c)(3)(B)(ii). |  |
| 9 | (DD) Section 2032A(a)(3)(B). |  |
| 10 | (EE) Section 2503(b)(2)(B). |  |
| 11 | (F}1-,) Section 4261( C' )( 4)(A)(ii). |  |
| 12 | (GG) Section 5000A(c)(3)(D)(ii). |  |
| 13 | (HH) Section 6323(i)( 4)(B). |  |
| 14 | (II) Section 6334(g-)(l)(B). |  |
| 15 | (JJ) Section 660l(j)(3)(B). |  |
| 16 | (KK) Section 665l(i)(l). |  |
| 17 | (LL) Section 6652(c)(7)(A). |  |
| 18 | (MM) Section 6695(11)(1). |  |
| 19 | **(NX)** Seetion 6698(e)(l). |  |
| 20 | (00) Section 6699(e)(l). |  |
| 21 | (PP) Section 6721(f)(l). |  |
| 22 | (QQ) Section 6722(f)(l). |  |
| 23 | (RR) Section 734fi(f)(2). |  |
| 24 | (SS) Seetion 7430(c)(l). |  |
| 25 | (TT) Section 98:H(d)(2)(D)(ii)(II). |  |

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**1** (2) Sections 41(e)(5)(C)(ii) and 68(h)(2)(B) arc

* 1. eaeh amende<l-
  2. (A) by striking "1 (f) (3 )(B)" and inserting

4 "l(f)(3)(A)(ii)", and

5 (B) by striking "1992" and inserting 6 "2016".

1. (3) Seetion 42(h)(6)(G) is amende<l-
2. (A) by striking "for 'calendar year 1987'"
3. m elause (i)(II) and inserting "for 'ealendar
4. year 2016' in subparagraph (A)(ii) thereof",
5. and
6. (B) by striking "if the CPI for any cal-
7. endar year'' and all that follows in clause (ii)
8. and inserting- "if the C-CPI-U for any ealendar
9. year (as defined in section **1**(f)( 6)) exceeds the
10. C-CPI-U for the preceding calendar year hy
11. more than 5 percent, the C-CPI-U for the base

###### calendar year shall be increased such that such

1. t1xeess shall never be taken into aceuunt under
2. clause (i). In the case of a base calendar year
3. before 2017, the C-CPI-U for such year shall
4. be determined by multiplying the CPI for such
5. year hy the amount determined under section

24 1(f)(3)(B).".

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1. (4) Section 59(j)(2)(B) is amended hy striking
2. "for '1992' in subparagraph (B)" and inserting· "for
3. '2016' in subparagraph (A)(ii)".
4. (5) Section 182(f)(6)(A)(ii) 1s amendPd by
5. striking "for 'calendar year 1992'" and inserting
6. "for 'calendar year 2016' in suhparagraph **(A)(ii)**
7. then of''.
8. (6) Section 162(0)(3) is amended by striking
9. '' adjusted for changes in the Consumer Price Index
10. (as defined in section l(f)(5)) since 1991" and in-
11. serting "adjusted hy increasing any such amount
12. under the 1991 agreement by an amount equal to-
13. '' (A) such amount, multiplied by
14. "(B) the cost-of-liYing· adjustment deter-
15. mined under section 1 (f) (3) for the calendar
16. year in which the taxahle year hegins, hy suh-
17. stituting 'calendar year 1990' for 'calendar year
18. 2016' in subparagraph (A)(ii) thereof''.
19. (7) So much of clause (ii) of seetion
20. 21:3(d)(10)(B) as precedes the last sentence is
21. amended to read as follows:
22. "(ii) MEDICAL CARE COST AD.JrST-
23. MENT.-For purposes of clause (i), the
24. medical care cost adjustment for any eal-

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1. endar year IS the percentage (if any) hy
2. which-
3. "(I) the medical care component
4. of the C-CPI-U (as defined in seetion
5. 1(f)(6)) for August of the preceding
6. calendar year, exceeds
7. "(II) sueh component of the CPI
8. (as defined in section l(f)(4)) for Au­
9. gust of 1996, multiplied by the
10. amount determined under section

11 1 (f) (8 )(B ). ' '.

1. (8) Subparagraph (B) of section 280F(d)(7) IS
2. amended to read as follows:
3. "(B) AL''l'OMOBII E Pl{!CE D."I•,LA'l'ION. AD-
4. .JUSTl\IENT .-:B-,or purposes of this paragraph-
5. "(i) IN GENERAL.-The automohile
6. priee inflation adjustment for any calendar

|  |  |  |
| --- | --- | --- |
| 18 | year | is the percentage (if any) by which- |
| 19 |  | "(I) the C-CPI-U automobile |
| 20 |  | component for October of the pre- |
| 21 |  | ceding calendar year, exceeds |
| 22 |  | "(II) the automobile component |
| 23 |  | of the CPI (as defined in section |
| 24 |  | l(f)(4)) for Ot tober of 1987, multi- |

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1 plied hy the amount determined under

2 1(f)(3)(B).

1. "(ii) C-CPI-U AFTOMOBILE COYIP0-
2. E 'r.-The term 'C-CPI-U automobile
3. component' means the automobile compo-
4. nent of the Chained Consumer Price Index
5. for All Urban Consumers (as described in
6. section l(f)(6)).".
7. (9) Section 9ll(b)(2)(D)(ii)(II) is amended by
8. striking "for '1992' in subparagraph (B)" and m-
9. scrting "for '2016' in suhparagraph (A)(ii)".
10. (10) Paragraph (2) of section 1274A(d) 1s
11. amended to read as follows:
12. "(2) AD.JUSTl\lEXT l•.,OH INF'LA'rION.-ln the
13. case of any debt instrument arising out of a sale or
14. exchange during any calendar year after 1989, each
15. dollar amount contairwd in the preceding- prmrisions
16. of this section shall be increased by an amount equal
17. to-
18. '' (A) such amount, multiplied by
19. " ( B) the cost-of-liYing adjustment deter-
20. mined under section 1 (f) (3) for the calendar
21. year in which the taxable year begins, by sub-
22. stituting 'calendar year 1988' for 'calendar year
23. 2016' in subparagraph (A)(ii) thereof.

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* 1. Any increase under the preceding sentence shall he
  2. rounded to the nearest multiple of $100 (or, if such
  3. increase is a multiple of $50, such increase shall be
  4. increased to the nearest multiple of $100).".
  5. **(11)** Section 416l(b)(2)(C)(i)(II) is amended by
  6. striking "for '1992' in suhparagraph **(B)"** and m-
  7. serting· "for '2016' in subparag-raph **(A)(ii)".**
  8. **(12)** Section 4980I(b)(3)(C)(v)(II) is amended
  9. by striking "for '1992' in subparagraph **(B)"** and
  10. inserting "for '2016' in subparagraph **(A)(ii)".**
  11. (13) Section 60:39 -,(d) is amended hy striking
  12. "subparagraph (B) thereof shall be applied by sub-
  13. stituting '1995' for '1992'" and inserting "subpara-
  14. graph (A)(ii) thereof shall be applied by substituting· 15 '1995' for '2016' ".

1. (14) Section 7872(g)(5) is amended to read as
2. follows:
3. "(5) AD.JCSTl\H :NT OJ:1" LIMIT FOR INFLATION.-
4. In the ease of any loan made during any eak)ndar
5. year after 1986, the dollar amount in paragraph (2)
6. shall he increased hy an amount equal to-
7. "(A) such amount, multiplied by
8. "(B) the cost-of-living adjustment deter-
9. mined under section 1 (f)(3) for the calendar
10. year in which the taxable year begins, by sub-

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1. stituting 'calendar year 1!-)85' for 'calendar year
2. 2016' in subparag-raph (A)(ii) thereof.
3. Any increase under the preceding sentence shall be
4. rounded to the nearest multiple of $100 (or, if sueh
5. increase is a multiple of $50, such increase shall be
6. increased to the nearest multiple of $100).".
7. (e) EFFECTIYE DATE.-The amendments made by
8. this section shall apply to taxable years beginning after

9 Deeembcr :31, 2017.

1. **PART II-DEDUCTION FOR QUALIFIED BUSINESS**
2. **INCOME OF PASS-THRU ENTITIES**
3. **SEC. 11011. DEDUCTION FOR QUALIFIED BUSINESS IN-**
4. **COME.**
5. (a) IN GENEHAL.-Part VI of subehapter B of ehap-
6. ter 1 is amended by adding at the end the following new
7. section:
8. **"SEC. 199A. QUALIFIED BUSINESS INCOME.**
9. "(a) IN GENERAL.-In the case of a taxpayer other
10. than a eorporation, there shall be allowed as a deduetion
11. for any taxable year an amount equal to the lesser of-
12. "(1) the comhined qualified husiness income
13. amount of the taxpayer, or
14. "(2) an amount equal to 23 percent of the ex-
15. eess (if any) of-

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* 1. **"(A)** the taxable mcome of the taxpayer
  2. for the taxable year, over
  3. **"(B)** any net capital gam (as defined in
  4. seetion 1(h)) of the taxpayer for the taxable
  5. year.
  6. "(h) Co:vmINED Q"CALIFIED BUSINESS INCOME
  7. A.vIOPNT.-For purposes of this seetion-
  8. "(1) Ix GENERAL.-The term 'combined quali-
  9. fied business ineome amount' means, with respeet to
  10. any taxable year, an amount equal to-
  11. **"(A)** the sum of the amounts determined
  12. under paragraph (2) for eaeh qualified trade or
  13. business carried on hy the taxpayer, plus
  14. **"(B)** 23 pereent of the aggregate amount
  15. of the qualified **REIT** dividends and qualified
  16. cooperative dividends of the taxpayer for the
  17. taxable year.
  18. **"(2) DETERl\il ATION** OF' DEDeCTIBLE
  19. viOCXT l•,OH EACII TRADE OH BCSIXESS.-The
  20. amount determined under this paragraph with re-
  21. spect to any qualified trade or business is the lesser
  22. of-
  23. "(A) 23 percent of the taxpayer's qualified
  24. business irworne with respcet to the qualified
  25. trade or business, or

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* + 1. "(B) 50 percent of the \V-2 wages with re-
    2. spect to the qualified trade or business.
    3. "(3) MODIFICATIOXS TO THE WAGE LIMIT
    4. BASED ON rrlLXAllLE INCOME.-
    5. "(A) EXCEPTION FRO I WAGE LDHT.-ln
    6. the case of any taxpayer whose taxable income
    7. for the taxable year does not exceed the thresh-
    8. old amount, paragraph (2) shall be applied
    9. without regard to subparagraph (B).
    10. "(B) PHASE-IN OF LIMIT FOR CERTAIN
    11. TA..XPAYERS.-
    12. "(i) IN GE ERAL.-If-
    13. "(I) the taxable income of a tax-
    14. payer for any taxable year exeeeds the
    15. threshold amount, but does not exceed
    16. the sum of the threshold amount plus

17 $50,000 ($100,000 in the case of a

1. joint return), and
2. "(II) the amount determined
3. under paragraph (2)(B) (determined
4. without regard to this suhparagraph)
5. with respect to any qualified trade or
6. business carried on by the taxpayer is
7. less than the amount determined

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1. under paragraph (2)(A) with respect
2. sueh trade or business,
3. then paragraph (2) shall be applied with
4. respeet to sueh trade or business without
5. regard to subparagraph (B) thereof and by
6. reducing the amount determined under
7. subparagraph (A) thereof by the amount
8. determined under clause (ii).
9. "(ii) AMouwr OP l{EDUCrrION.-The
10. amount determined under this subpara­
11. graph is the amount which hears the same
12. ratio to the exeess amount as-
13. " (I) the amount by which the
14. taxpayer's taxable ineome for the tax­
15. able year exceeds the threshold
16. amount, hears to

17 "(II) $50,000 ($100,000 m the

1. case of a joint return).
2. "(iii) EXCESS Ai.vIOUWr.-For pur­
3. poses of clause (ii), the excess amount is
4. the excess of-
5. " (I) the amount determined
6. under paragraph (2)(A) (determined
7. without regard to this paragraph),
8. over

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* 1. "(II) the amount determined
  2. under paragraph (2)(B) (determined
  3. without regard to this paragraph). 4 "(4) \YAGES, ETC.-

1. "(A) Ix GEXERAL.-The term 'W-2 wages'
2. means, with respect to any person for any tax-
3. able year of sneh person, the amounts deseribed
4. in paragraphs (3) and (8) of section 6051(a)
5. paid by sueh person with respeet to employment
6. of employees by such person during the cal-
7. endar year ending during such taxahle year.
8. "(B) LIMITATION TO WAGES ATTRIB-
9. l'TABLE TO QrALIFIED BrSINESS INCO:\IE.-
10. Sueh term shall not inelude any amount whieh
11. is not properly allocable to qualified business
12. income for purposes of suhsection (c) (1).
13. "(C) RETlTRX REQnREl\IENT.-Sueh term
14. shall not include any amount which is not prop-
15. Prly ineludcd in a return filed with the Soeial
16. Security Administration on or before the 60th
17. day after the due date (including extensions)
18. for sueh return.
19. "(5) ACQUISITIONS, DISPOSITIONS, AND SHORT
20. TAXABLE YEARS.-The Secretary shall provide for
21. the application of this subsection in cases of a short

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1. taxable year or where the taxpayer acquires, or dis-
2. poses of, the major portion of a trade or business or
3. the major portion of a separate unit of a trade or
4. business during the taxable year.
5. " (c) QUALIFIED BeSINESS INCOME.-For purposes
6. of this scctiou-
7. **"(l) IN** GEXERAL.-The term 'qualified bnsi-
8. ness income' means, for any taxable year, the net
9. amount of qualified items of ineome, gain, dedue-
10. tion, and loss with respect to any qualified trade or
11. business of the taxpayer.
12. ''(2) CARRYOVER OF LOSSES.-If the net
13. amount of qualified income, gain, deduction, and
14. loss with respeet to qualified trade or businesses of
15. the taxpayer amount for any taxable year is less
16. than zero, such amount shall he treated as a loss
17. from a qualified trade or business in the succeeding·
18. taxable year.
19. "(:3) QUALIFTI.JD ITE IS or ,, !NCO.ME, GAIN, DE-
20. DUCTION, *1L"l\1"D* LOSS.-For purposes of this sub-
21. section-
22. **"(A)** IN GENERAL.-The term 'qualified
23. items of income, gain, deduction, and loss'
24. means items of ineome, gain, deduetion, and
25. loss to the extent such items are-

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"(i) effectively connected with the con- duet of a trade or business within the United States (within the meaning of sec­ tion 8o4(c), determined by substituting 'qualified trade or business (within the meaning of section l 99A)' for 'nonresident alien individual or a foreign corporation' or for 'a foreign corporation' each place it ap­ pears), and

"(ii) included or allowed in deter­ mining taxable income for the taxable year. "(B) EXCEPTIONS.-The following· inyest­ ment items shall not be taken into account as a qualified item of income, gain, deduction, or

loss:

" (i) Any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss.

"(ii) Any dividend, income equivalent

to a dividend, or payment in lieu of divi­ clends descrihed in section 954(c)(l)(G).

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

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* 1. "(iY) Any item of gam or loss de-
  2. scribed in subparag-raph (C) or (D) of sec­
  3. tion 954(c)(l) (applied by substituting
  4. 'qualified trade or business' for 'controlled
  5. foreign corporation').
  6. "(v) Any item of income, gain, deduc­
  7. tion, or loss taken into account under sec­
  8. tion 954(c)(l)(F) (determined without re­
  9. gard to clause (ii) thereof and other than
  10. items attributable to notional principal
  11. contracts entered into in transactions
  12. qualifying under section 12 21 (a)(7)).
  13. "(vi) Any amount received from an
  14. annuity which is not receiYed in connection
  15. with the trade or business.
  16. "(vii) Any item of deduction or loss
  17. properly allocable to an amount described
  18. in any of the preceding clauses.
  19. "( 4) THEA'rl\iIEWr OF1 REASONABLE COMPENSA-
  20. TION Ai D GlJARANTEED PAYlVIENTS.-Qualified busi-
  21. ness income shall not include-
  22. "(A) reasonable compensation paid to the
  23. taxpayer by any qualified trade or business of
  24. the taxpayer for services rendered with respect
  25. to the trade or business,

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* + 1. " (**B)** any guaranteed payment described in
    2. section 707(c) paid to a partner for services
    3. rendered with respect to the trade or business,
    4. and
    5. " (C) to the extent provided in regulations,
    6. any payment described in section 707(a) to a
    7. partner for services rendered with respect to the
    8. trade or business.
    9. "(cl) Q r AL U11ED THADE OH BeSIXESS.-For pur-

l O poses of this section-

1. "(1) Ix GEXER.AL.-Tlw term 'qualified trade
2. or business' means any trade or business other than
3. a specified service trade or business or the trade or
4. business of performing services as an employee.
5. ''(2) SPECIFIED SERVICE TRADE OR BUSI-
6. NESS.-Thc term 'specified service trade or busi-
7. ness' means any trade or business involving· the per-
8. formance of serVIces described m section
9. 1202(e)(3)(A), including investing and investment
10. management, trading, or dealing in securities (as de-
11. fined in section 475(c)(2)), partnership interests, or
12. commodities (as defined in section 475(e)(2)).
13. "(3) EXCEPTION 1 OR SPECIFIED SERVICE BUSI-
14. XESSBS BASED OX TAXPAYER'S INCOl\1:BJ.-

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* 1. "(A) IN GENERAL.-If, f'or any t,axahle
  2. year, the taxable income of any taxpayer is less
  3. than the sum of the threshold amount plus
  4. $50,000 ($100,000 m the case of a joint re­
  5. turn), then-
  6. ''(i) the exception under paragraph
  7. (1) shall not apply to specified service
  8. trades or businesses of the taxpayer for the
  9. taxable year, but
  10. "(ii) only the applicable percentage of
  11. qualified items of income, gain, deduction,
  12. or loss, and the W-2 wages, of the tax­
  13. payer allocable to such specified service
  14. trades or businesses shall be taken into ac­
  15. count in computing the qualified business
  16. income and W-2 wages of the taxpayer for
  17. the taxable year for purposes of applying
  18. this section.
  19. "(B) AJ>PLICABLE PEHCENT.AGE.-For
  20. purposes of subparagraph (A), the term 'appli­
  21. cable percentage' means, with respect to any
  22. taxable year, 100 percent reduced (not below
  23. zero) by the percentage equal to the ratio of-

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* + 1. **"(1·) t**,**h**e **t**,axa**hl**e income of the tax-
    2. payer for the taxable year in excess of the
    3. threshold amount, bears to

4 "(ii) $50,000 ($100,000 in the case of

1. a joint return).
2. " (e) OTHER DEFINITIONS.-For purposes of this
3. section-
4. "(1) TAXABLE IXCOME.-Taxable income shall
5. be computed without regard to the deduction allow-
6. able under this section.
7. "(2) THRESHOLD A.v.IOUNT.-
8. "(A) Ix GENERAL.-The term 'threshold
9. amount' means $250,000 (200 percent of such
10. amount in the case of a joint return).
11. "(B) IXFLATION AD.JUSTMENT.-In the
12. case of any taxable year beginning after 2018,
13. the dollar amount in paragraph (1) shall be in-
14. creased by an amount equal to-
15. "(i) such dollar amount, multiplied by
16. "(ii) the cost-of-liYing adjustment de-
17. termincd under section l(f)(3) for the cal-
18. endar year in which the taxable year be-
19. gins, determined by substituting 'calendar
20. year 2017' for 'calendar year 2016' in sub-
21. paragraph (A)(ii) thereof.

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* 1. If any amount as increased under the preceding
  2. sentence is not a multiple of $1,000, such
  3. amount shall be rounded to the nearest multiple

4 of $1,000.

1. "(3) QUALIFIED REIT DIVIDE D.-The term
2. 'qualified **REIT** dividend' means any diYidend from
3. a real estate investment trust received during the
4. taxable year which-
5. **"(A)** is not a capital gain dividend, as de-
6. fined in section 857(b) (:3), and
7. "(B) is not qualified dividend mcome, as
8. defined in section l(h)(ll).
9. **"(4) QUALIFIED COOPERATIVE DIVIDEND.-**
10. The term 'qualified cooperatiw dividend' means any
11. patronage diYidend (as defined in section 1388(a) ),
12. any per-unit retain allocation (as defined in section
13. 1388(f)), and any qualified ,nitten noti( e of alloca-
14. tion (as defined in section 1388(c)), or any similar
15. amount received from an organization described in
16. subparagraph (B)(ii), which-
17. "(A) is includihle in gross income, and
18. "(B) is received from-
19. ''(i) an organization or corporation de-
20. scribed in section 501(c)(12) or 1381(a),
21. or

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* 1. "(ii) an organization which is gov-
  2. erned under this title by the rules applica-
  3. ble to cooperatives under this title before
  4. the enactment of subchapter rr.
  5. "(f) SPECIAL RULES.-
  6. **"(1)** APPLICATION TO PARTNERSHIPS AND S
  7. CORPORATIONS.-
  8. "(A) IN GENERAL.-In the case of a part-
  9. nership or S corporation-
  10. "(i) this section shall be applied at the
  11. partner or shareholder level,
  12. '' (ii) each partner or shareholder shall
  13. take into account such person's allocable
  14. share of each qualified item of income,
  15. gain, deduction, and loss, and
  16. "(iii) each partner or shareholder
  17. shall be treated for purposes of subsection
  18. (b) as having \V-2 wages for the taxable
  19. year in an amount equal to such person's
  20. allocable share of the W-2 wages of the
  21. partnership or S corporation for the tax-
  22. able year (as determined under regulations
  23. prescribed by the Secretary).
  24. For purposes of clause (iii), a partner's or
  25. shareholder's allocable share of W-2 wages shall

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1. he determined in the same manner as the part-
2. ner's or shareholder's allocable share of wage
3. expenses. For purposes of this subparagraph, in
4. the case of an S corporation, an allocable share
5. shall be the shareholder's pro rata share of an
6. item.
7. "(B) APPLICATION TO TRPSTS AND ES­
8. TATES.-This section shall not apply to any
9. trust or estate.
10. "(C) TREATMENT OF TRADES OR BUSI­
11. NESS IN PUERTO RICO.-
12. " (i) Ix GENERAL.-In the case of any
13. taxpayer with qualified business income
14. from sources within the commonwealth of
15. Puerto Rico, if all· such income is taxable
16. under section 1 for such taxable year, then
17. for purposes of determining· the qualified
18. business income of such taxpayer for such
19. taxable year, the term 'United States' shall
20. include the Commonwealth of Puerto Rico.
21. " (ii) SPECIAL RULE FOR APPLYING
22. WAGE LIMITATIOX.-In the case of any
23. taxpayer described in clause (i), the deter­
24. mination of W-2 wages of such taxpayer
25. with respect to any qualified trade or busi-

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1. ness conducted m Puerto Rico shall he
2. made without regard to any exclusion
3. under section 3401(a)(8) for remuneration
4. paid for services in Puerto Hico.
5. "(2) COORDIXATIOX WITH MINilVICVI TAX.-For
6. purposes of determining alternative minimum tax-
7. able income under section 55, qualified business in-
8. come shall be determined without regard to any ad-
9. . ,1ustmcnts und er scc. t10ns thJ u th

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1. DEDrCTION LIMITED TO INCOME
2. TAXES.-Thc deduction under subsection (a) shall
3. only be allowed for purposes of this chapter.
4. "( 4) REGl LATIOXS.-The Secretary shall pre-
5. scribe such regulations as arc necessary to carry out
6. the purposes of this section, including regulations-
7. "(A) for requiring or restricting the alloca-
8. tion of items and wages under this section and
9. such reporting requirements as the Secretary
10. determines appropriate, and
11. "(B) for the application of this section m
12. the case of ticn d entities.
13. "(g-) DEDPCTION ALLOWED TO SPECIFIED AGRICrL-
14. TURAL OR HORTICeLTrRAL COOPERATIVES.-
15. "(l) IN GENERAL.-ln the case of any taxable
16. year of a specified agTicultural or horticultural coop-

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1. erative beginning aner December !31, 2018, there
2. shall be allowed a deduction in an amount equal to
3. the lesser of-

4 **"(A)**

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pcrecnt, ot· tl,1c coopera t·,Ive' s

t,ax-

1. able income for the taxable year, or
2. **"(B)** 50 percent of the W-2 wages of the
3. cooperative with respeet to its trade or lmsi-
4. ness.
5. "(2) SPECIF'IED AGHIClT/l'UIW.. OH IIOHTI-
6. CULTURAL COOPERATIYE.-For purposes of this
7. subsection, the term 'specified agricultural or horti-
8. cultural cooperative' means an organization to which
9. part I of subchapter T applies which is engaged in-
10. "(A) the manufacturing, production,
11. growth, or extraction in whole or significant
12. part of any agricultural or horticultural prod­
13. uct,
14. "(B) the marketing of agricultural or hor­
15. ticultural products whi( h its patrons have so
16. manufactured, produced, grown, or extracted,
17. or
18. "(C) the prov1s10n of supplies, equipment,
19. or services to farmers or to organizations de­
20. scribed in subparagraph (A) or (B).

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* 1. "(h) TERMINATIOX.-This section shall not apply to
  2. taxable years beg·inning· after Deeember 31, 2025.".
  3. (b) APPLICATION TO PeBLICLY TRADED PARTNER-
  4. SIIIPS.-
  5. **(1)** IN GENERAL.-Section 199A(b)(l)(B), as
  6. added hy suhsection (a), is amended hy striking
  7. "and qualified eooperative dividends" and inserting
  8. ", qualified cooperative dividends, and qualified pub-
  9. liely traded partnership ineome".
  10. (2) QUALIFIED PUBLICLY TRADED PARTNER-
  11. SHIP INCOME.-Section HH)A( e), as added hy suh-
  12. seetion (a), is amended by adding· at the end the fol-
  13. lowing new paragraph:
  14. **"(5) QUALIPIED PUBLICLY rrI{Al)ED PAlfi,NEH-**
  15. SHIP INCOME.-The term 'qualified publicly traded
  16. partnership income' means, with respect to any
  17. qualified trade or business of a taxpayer, the sum
  18. of-
  19. "(A) the net amount of sueh taxpayer's al-
  20. locable share of each qualified item of income,
  21. gain, deduction, and loss (as defined in suh-
  22. seetion (e) (3) and determined after the appliea-
  23. tion of subsection (c) (4)) from a publicly traded
  24. partnership (as defined in section 7704(a))

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1. which is not treated as a corporation under sec-
2. tion 7704(e), pins
3. '' (B) any gain recognized by such taxpayer
4. upon disposition of its interest in sueh partner­
5. ship to the extent such gain is treated as an
6. amount realized from the sale or exchange of
7. property other than a eapital asset under see­

8 tion 75l(a).".

9 (3) CONI•-,OWVIING A IENDMENT.-Seetion

1. 199A(c)(l), as added by subsection (a), is amended
2. hy adding at the end the following new sentence:
3. "Sneh term shall not include any qualified publicly
4. traded partnership income.".
5. (e) AcCUiu\CY-HELATED PENAl/rY ON DE'rI RMINA-
6. TION OF APPLICABLE PERCENTAGE.-Section 6662(d)(l)
7. is amended hy inserting at the end the following new suh-
8. paragraph:
9. "(C) SPECIAL RFLE FOR TAXPAYERS
10. Cl.Al.MING SEC'rION l J9A DEDCC'rION.-In the
11. case of any taxpayer who claims the deduction
12. allowed under section 19 9A for the taxable
13. year, subparagTaph (A) shall be applied by snb-
14. stituting '5 percent' for '10 percent'.".
15. (d) CONFOR:\IING A.vIJ.JNDMENTS.-

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* 1. **(1)** Section 170(h)(2)(D) is amended hy strik-
  2. mg ", and" at the end of clause (iv), by redesig·-
  3. nating clause (v) as clause (vi), and by inserting
  4. after dause (iv) the following new clause:
  5. "(v) section 199A, and".
  6. (2) Section 172(d) is amended hy adding at the
  7. end the following new paragraph:
  8. " (8) QUALIFIED BUSINESS INCOME DEDUC-
  9. 'rION.-The deduction under section 199A shall not
  10. be allowed.".
  11. (3) Section 246(h)(l) 1s amended hy inserting 12 "199A," before "243(a)(l)".

1. (4) Section 613(a) is amended by inserting
2. "and without the deduction under section 199A"
3. after "and without the deduction under section 16 199".
4. (5) Section 613A(d)(l) is amended by redesig·-

###### nating subparagraphs (C), (D), and (E) as subpara-

1. graphs (D), (E), and (F), respectively, and by in- 2O serting after subparagraph (B), the following new
2. suhparagraph:
3. "(C) any deduction allowable under section 23 199A,".

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* 1. (6) The table of sections for part VI of sub-
  2. chapter B of chapter 1 is amended by inserting· at
  3. the end the following new item:

"Sec. 199A. Qualified business income.".

* 1. (e) EFFECTn"'E DATE.-The amendments made by
  2. this section shall apply to taxable years beginning after 6 December 81, 2017.

1. **SEC. 11012. LIMITATION ON LOSSES FOR TAXPAYERS**
2. **OTHER THAN CORPORATIONS.**
3. (a) IN GENERAL.-Section 461 is amended hy adding
4. at the end the following new subsection:
5. "(l) LIMITATIOX ON EXCESS BUSINESS LOSSES OF
6. NONCORPORATE TAXPAYERS.-
7. ''(1) LIMITATIO .-In the case of taxable year
8. of a taxpayer other than a corporation beginning
9. after December 81, 2017, and before Jan nary 1, 16 2026-
10. "(A) subsection (j) (relating to limitation
11. on excess farm losses of certain taxpayers) shall
12. not apply, and
13. "(B) any excess business loss of the tax-
14. payer for the taxable year sha11 not he a11owed.
15. "(2) DISALLOWED LOSS CARRYOVER.-Any loss
16. which is disallowed under paragraph (1) shall be
17. treated as a net operating loss carryover to the fol-
18. lowing taxable year under section 1 72.

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* 1. "(8) EXCESS BUSINESS LOSS.-For purposes of
  2. this subseetion-
  3. **"(A)** IN GEXERAL.-The term 'excess busi-
  4. ness loss' means the excess (if any) of-
  5. " (i) the aggregate deductions of the
  6. taxpayer for the taxahlc year which are at-
  7. tributable to trades or businesses of such
  8. taxpayer (determined without regard to
  9. whether or not such deductions are dis-
  10. allowed for such taxable year under para-
  11. graph (1) ), over
  12. "(ii) the sum of-
  13. "(I) the aggregate gross mcome
  14. or gain of such taxpayer for the tax-
  15. able year which is attributable to such
  16. trades or husinesses, plus

17 "(II) $250,000 (200 percent of

1. such amount in the case of a joint re-
2. turn).
3. "(B) AD.JUSTMENT FOR IXFLATIOX.-ln
4. the case of any taxable year hcginning after Dc-
5. eember 31, 2018, the $250,000 amount in sub-
6. paragraph (A)(ii)(II) shall be increased by an
7. amount equal to-
8. '' (i) such dollar amount, multiplied by

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1. "(ii) the cost-of-liYing adjustment de-
2. termined under section 1(f)( 3) for the cal-
3. endar year in which the taxable year be-
4. gins, determined by substituting '2017' for
5. '2016' in subparagraph (A)(ii) thereof.
6. If any amount as increased under the prc-
7. ceding- sentence is not a multiple of
8. $1,000, such amount shall be rounded to
9. the nearest multiple of $1,000.
10. '\4) APPLICATION OF SUBSECTION IN CASE OF
11. PARTXERSHIPS A..""\D s CORPORATIOXS.-In the case
12. of a partnership or S corporation-
13. '' (A) this subsection shall be applied at the
14. partner or shareholder level, and
15. "(B) each partner's or shareholder's allo-
16. cahle share of tlw items of income, gain, dcduc-
17. tion, or loss of the partnership or S corporation
18. for any taxable year from trades or businesses
19. attributable to the partnership or S corporation
20. shall be taken into account by the partner or
21. shareholder in applying this suhsection to the
22. taxable year of such partner or shareholder
23. " th or within which the taxable year of the
24. partnership or S corporation ends.

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For purposes of this paragraph, in the case of an S corporation, an allocable share shall be the share­ holder's pro rata share of an item.

"(5) ADDrrIOXAL HEPOHTING.-The Secretary shall prescribe such additional reporting require­ ments as the Secretary determines appropriate to carry out the purposes of this subsection.

"(6) COORDINATIOX WITH SECTION 469.-This

subsection shall be applied after the application of section 469.".

(b) EFFECTIVE DATE.-The amendments made by section shall apply to taxable years beg-inning· after

13 December 31, 2017.

1. **PART III-TAX BENEFITS FOR FAMILIES AND**
2. **INDIVIDUALS**
3. **SEC. 11021. INCREASE IN STANDARD DEDUCTION.**
4. (a) Ix GENERAL.-Subsection (c) of section 63 is
5. amended by adding at the end the following new para-
6. graph:
7. "(7) SPECIAL RULES FOR TAXABLE YEARS 2018
8. THROUGH 2025.-In the case of a taxable year begin­
9. ning after December 31, 2017, and before ,January

23 1, 2026-

1. "(A) INCREASE IN STANDARD DEDUC­
2. TIOX.-Paragraph (2) shall be applied-

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"(i) hy suhstituting '$18,000' for '$4,400' in snbparag-raph (B), and

"(ii) by substituting '$12,000' for '$3,000' in subparagraph (C).

"(B) AD.JPST:\'IEXT FOR INFLATION.-

"(i) IN GE ERAL.-Paragraph (4) shall not apply to the dollar amounts con­ tained in paragraphs (2)(B) and (2)(C).

"(ii) AD.Jt;SrrMEWr OF' INCREASED

AMOUNTS.-In the case of a taxable year beginning after 2018, the $18,000 and

$12,000 amounts in subparagraph (A) shall each be increased by an amount equal to-

'·(I) such dollar amount, multi­ plied hy

"(II) the cost-of-living adjust­ ment determined under section 1(f)(3) for the ealendar year in whieh the tax­ able year begins, determined by sub­ stituting '2017' for '2016' in suhpara­ gTaph (A)(ii) thereof.".

1. EFFECTIVE DATE.-The amendment made by seetion shall apply to taxable years beginning aner

25 December 31, 2017.

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* 1. **SEC. 11022. INCREASE** IN **AND MODIFICATION OF cmLD**
  2. **TAX CREDIT.**

###### (a) IN GENERAL.-Section 24 is amended by adding

* 1. at the end the following new subsection:
  2. "(h) SPECIAL RULES FOR TAXABLE YEARS 2018
  3. THROUGH 2025.-
  4. "(1) IN GENERAL.-In the case of a taxable
  5. year beginning after December 31, 2017, and before

9 January 1, 2026, this section shall be applied as

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1. provided in paragraphs (2)'-th.rottg (8). J.,V\ *.\--n* C *(J.M..*• *v4* .

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###### "(2) CREDIT AM'.OUNT.-Subsection (a) shall be

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applied by substituting '$2,000' for '$1,000'. o..vvl . \/ 1 5

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1. "(3) LIMITATION.-In lieu of the amount deter- **A-fl'>\i *ti "-s***

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###### mmed under subsect10n (b)(2), the threshold amount *(\_***4)**.

15 shall be $500,000.

1. "( 4) DEFINITION OF QUALIFYING CHILD.­
2. Paragraph (1) of subsection (c) shall be applied by
3. substituting '18' for '17'.
4. ''(5) PARTIAL CREDIT ALLOWED FOR CERTAIN
5. OTHER DEPENDENTS.-
6. " (A) IN GENERAL.-The credit determined
7. under subsection (a) (after the application of
8. paragraph (2)) shall be increased by $500 for
9. each dependent of the taxpayer (as defined in
10. section 15 2) other than a qualifying child de-

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1. scribed in subsection (c) (after the application
2. of paragraph (4)).
3. "(B) EXCEPTION FOR CERTAIN NONCITI-
4. ZENS.-Subparagraph (A) shall not apply with
5. respect to any individual who would not be a
6. dependent if subparagraph (A) of section
7. 152(b)(3) were applied without regard to all
8. that follows 'resident of the United States'.
9. "(6) **MAxlMUM** AMOU T 01 ., HEPUNDABLE
10. CREDIT.-
11. "(A) IN GENERAL.-Subsection (d)(l)(A)
12. shall be applied without regard to paragraphs
13. (2) and (5) of this subsection.
14. "(B) AD.JUS'rMEN'r r .,ou L\'1 .,LATIOx.-·In
15. the case of a taxable year beginning after 2017,
16. subsection (d)(l)(A) shall he applied as if the
17. $1,000 amount in subseetion (a) were inereased
18. (but not to exceed the amount under paragraph
19. (2) of this subseetion) by an amount equal to-
20. "(i) such dollar amount, multiplied by
21. "(ii) the cost-of-liYing adjustment de-
22. termined under seetion l(f)(3) for the eal-
23. endar year in which the taxable year be-
24. gms.

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* 1. Any increase determined under the preceding
  2. sentence shall be rounded to the next highest
  3. multiple of $100.
  4. " (7) EAHXED INCOME 'l'IIHESIIOLD POH HE-
  5. FUNDABLE CREDIT.-Subsection (d)(l)(B)(i) shall
  6. he applied hy substituting '$2,500' for '$8,000'.
  7. "(8) SOCIAL SECVRITY NUMBER REQUIRED.-
  8. No credit shall be allowed under subsection (d) to a
  9. taxpayer with respect to any qualifying child unless
  10. the taxpayer includes the social security number of
  11. such child on the return of tax for the taxable year.
  12. For purposes of the preceding sentence, the term
  13. 'social security number' means a social security
  14. number issued to an individual by the Social Secu-
  15. rity Administration, but only if the social security
  16. numher is issued to a citizen of the United States
  17. or is issued pursuant to subclanse (I) (or that por-
  18. tion of subclause (III) that relates to subclause (I))
  19. of section 205(c)(2)(B)(i) of the Social Security
  20. Act.".
  21. (h) EFFECTIVE DATE.-The amendment made hy
  22. this section shall apply to taxable years beg-inning- after

23 December 81, 2017.

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1. **SEC. 11023. INCREASED LIMITATION FOR CERTAIN CHARI-**
2. **TABLE CONTRIBUTIONS.**
3. (a) IN GENERAL.-Seetion l 70(b)(l) is amended by
4. redesignating subparagraph (G) as subparagraph (H) and
5. by inserting after subparagraph (F) the following new
6. subparagraph:
7. **"(G) lXCREASED LIMITATION** FOR CASH
8. **COXTRIBUTIOXS.-**
9. " (i) Ix GENERAL.-In the case of any
10. contribution of cash to an organization de­
11. scribed m subparagraph **(A),** the total
12. amount of such contributions which may
13. be taken into aeeount under subseetion (a)
14. for any taxable year beginning after De­
15. cember :n, 2017, and before ,January 1,
16. 2026, shall not exceed 60 percent of the
17. taxpayer's contribution hase for such year.
18. ''(ii) CARRYOVER.-If the aggregate
19. amount of contributions described in clause
20. (i) exceeds the applicable limitation under
21. clause (i) for any taxable year described in
22. such clause, such excess shall be treated
23. (in a manner eonsistent with the rules of
24. subsection (d)(1)) as a charitable contribu­
25. tion to which clause (i) applies in each of
26. the 5 succeeding years in order of time.

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* 1. "(iii) COORDINATION WITH SUBPARA-
  2. GRAPHS (A) AND (B).-
  3. "(l) IN GENERAL.-Contribu­
  4. tions taken into account under this
  5. subparagraph shall not be taken into
  6. account under subparagraph (A).
  7. "(II) LIMITATIOX REDrCTION.­
  8. For each taxable year described m
  9. clause (i), and each taxable year to
  10. which any contribution under this
  11. suhpa ragraph is carried over under
  12. clause (ii), subparagraph (A) shall be
  13. applied by reducing (but not below
  14. zero) the contribution limitation al­
  15. lowed for the taxable year under such
  16. subparagraph hy the aggregate con­
  17. tributions allowe<l under this subpara­
  18. graph for such taxable year, and sub­
  19. paragraph (B) shall be applied by
  20. treating any reference to subpara­
  21. graph (A) as a n fcrcncp to hoth sub­
  22. paragraph (A) and this subpara-
  23. graplL" .

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* + 1. (h) EFFECTIVE DATE.-The amendment made hy
    2. this section shall apply to contributions in taxable years
    3. beginning after December 31, 2017.
    4. **SEC. 11024. INCREASED CONTRIBUTIONS TO ABLE AC-**
    5. **COUNTS.**
    6. (a) INCREASE IN LL\UTATION POR CONTRIBUTIONS
    7. PROM COMPENSATION OF L DIYIDPALS WITH DISABIL-
    8. ITIES.-
    9. (1) Ix GE EIW .-Scction 529A(b)(2)(B) 1s
    10. amended to read as follows:
    11. "(B) except in the case of contrihutions
    12. under subsection (c)(l)(C), if such contribution
    13. to an ABLE account would result in aggregate
    14. contributions from all contributors to the
    15. ABLE account for the taxable year exceeding
    16. the sum of-
    17. " (i) the amount in effect under sec-
    18. tion 2503(b) for the calendar year in which
    19. the taxable year begins, plus
    20. "(ii) in the case of any contribution
    21. hy a designated hcncficiary dcscrihcd in
    22. paragraph (7) before January 1, 2026, the
    23. lesser of-
    24. "(I) compensation (as defined by
    25. section 2 l 9(f)(1)) includible in the

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* + - 1. designated beneficiary's gross mcome
      2. for the taxable year, or
      3. "(II) an amount equal to the
      4. poverty line for a one-person house­
      5. hold, as determined for the calendar
      6. year preceding the calendar year 111
      7. which the taxable year begins.".

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* + - 1. (2) L FOR CONTRIBUTION LIMITA-
      2. TION.-Paragraph (2) of section 529A(b) is amend­
      3. ed by adding at the end the following: ''A designated
      4. beneficiary (or a person acting on behalf of such
      5. beneficiary) shall maintain adequate records for pur­
      6. poses of ensuring, and shall be responsible for ensur­
      7. ing, that the requirements of subparagraph (B) (ii)
      8. are met."
      9. (3) ELIGIBLE DESIGNATED BENEFICIARY.-
      10. Section 529A(b) is amended by adding at the end
      11. the following:
      12. "(7) SPECIAL RULES RELATED TO CONTRIBU-
      13. TION LIMIT.-For purposes of paragraph 21 (2)(B)(ii)-

1. "(A) DESIGNATED BENEFICIARY.-A des-
2. ignated beneficiary described in this paragraph
3. is an employee (including an employee within

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1. the meaning of section 401(c)) "rith respect to
2. whom-
3. "(i) no contribution is made for the
4. taxable year to a defined eontribution plan
5. (within the meaning of section 414(i)) "rith
6. respect to which the requirements of scc-
7. tion 40l(a) or 403(a) are met,
8. "(ii) no contribution is made for the
9. taxable year to an annuity eontraet de-
10. scribed in section 403(b), and
11. "(iii) no contrihution is made for the
12. taxable year to an eligible deferred com-
13. pensation plan described in section 457(b).
14. "(B) POVEH'rY LINE.-The term 'poverty
15. line' has the meaning giYen such term by sec-
16. tion 67;3 of the Community Services Block 17 Grant Act (42 U.S.C. 9902).".
17. (b) ALLOWANCE OF SAVER'S CREDIT FOR ABLE
18. CowrHillL"rIONS llY Acco1.;wr HOLDER.-Scetion
19. 25B(d)(l) is amended by striking "and" at the end of sub-
20. paragraph **(B)(ii),** hy striking the period at the end of suh-
21. paragraph (C) and inserting ", and", and by inserting· at
22. the end the following:
23. "(D) the amount of eontributions made bc-
24. fore January 1, 2026, by such individual to the

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1. ABLE account (within the meaning of section
2. 529A) of which such indiYidual is the des­
3. ignated beneficiary.".
4. (c) EI,,PECrl'ffE DNl'E.-The amendments made by
5. this section shall apply to taxable years beginning· after
6. the date of the enactment of this Act.
7. **SEC. 11025. ROLLOVERS TO ABLE PROGRAMS FROM 529**
8. **PROGRAMS.**
9. (a) IN GENEHAL.-Clause (i) of section 52 )(c)(8)(C)
10. is amended by striking "or" at the end of subclause (I),
11. hy striking the period at the end of suhclause (II) and
12. inserting· ", or", and by adding· at the end the following:
13. "(III) before January 1, 2026, to
14. an ABLE account (as defined in see-
15. tion 529A(e)(6)) of the designated
16. beneficiary or a memher of the family
17. of the designated beneficiary.
18. Subclause (III) shall not apply to so much
19. of a distribution which, when added to all
20. other contributions made to the ABLE ac-
21. count for the taxable year, exceeds the lim-
22. itation under section 529A(b)(2)(B)(i).".
23. (b) EFFECTIVE DATE.-The amendments made by
24. this section shall apply to distributions after the date of
25. the enactment of this Act.

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1. **SEC. 11026. TREATMENT OF CERTAIN INDMDUALS PER-**
2. **FORMING SERVICES IN THE SINAI PENIN-**
3. **SULA OF EGYPT.**
4. (a) IN GENERAL.-For purposes of the following pro-
5. visions of the Internal Revenue Code of 1986, ·with respect
6. to the applicable period, a qualified hazardous duty area
7. shall he treated in the same manner as if it were a combat
8. zone (as determined under section 112 of such Code):
9. **(1)** Section 2(a)(3) (relating to special rule
10. where deceased spouse was in missing status).
11. (2) Section 112 (relating to the exclusion of
12. certain combat pay of members of the Armed
13. Forces).
14. (3) Section 692 (relating to income taxes of
15. members of Armed Forces on death).
16. (4) Section 2201 (relating to members of the
17. Armed Forces dying in combat zone or hy reason of
18. combat-zone-incurred wounds, etc.).
19. (5) Section 340l(a)(l) (defining· wag·es relating
20. to combat pay for members of the Armed Forces).
21. (6) Section 4253(d) (relating to the taxation of
22. phone service originating from a combat zone from
23. members of the Armed Fon es).
24. (7) Section 6013(f)(l) (relating to joint return
25. where individual is in missing status).

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* 1. (8) Section 7508 (relating to time for pcr-
  2. forming certain acts postponed by reason of service
  3. in combat zone).
  4. (b) QUALU-,IED HAzAHDOUS Durry AlmA.-For pur-
  5. poses of this section, the term "qualified hazardous duty
  6. area" means the Sinai Peninsula of Egypt, if as of the
  7. date of the enactment of this section any member of the
  8. Armed Forces of the United States is entitled to special
  9. pay under section :no of title 87, United States Code (re-
  10. lating to special pay; duty subject to hostile fire or immi-
  11. ncnt danger), for services performed in such location.
  12. Such term inelu<les such location only during the period
  13. such entitlement is in effect.
  14. **(c) Af>PLICAllLE PEHIOD.-**
  15. (1) IN GENERAL.-Except as prmided in para-
  16. graph (2), the applicahle period is-
  17. (A) the portion of the first taxable year
  18. ending after June 9, 2015, which begins on
  19. such date, and
  20. (B) any subsequent taxable year beginning
  21. hefore January 1, 2026.
  22. (2) WITHHOLDING.-ln the ease of subsection
  23. (a)(5), the applicable period is-

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* + 1. **(A)** the portion of the first taxahle year
    2. ending· after the <late of the enactment of this
    3. Act which begins on such date, and
    4. (B) any subsequent taxable year beginning
    5. before January 1, 2026.
    6. (d) E ,FECTIVE DATE.-
    7. (1) Ix GENERAL.-Except as proYi<le<l in para-
    8. graph (2), the provisions of this section shall take
    9. cffcet on June 9, 2015.
    10. (2) WITIIHOLDING.-Subsection (a)(5) shall
    11. apply to remuneration paid after the date of the en-
    12. actment of this Act.
    13. **SEC. 11027. EXTENSION OF WAIVER OF LIMITATIONS WITH**
    14. **RESPECT TO EXCLUDING FROM GROSS IN-**
    15. **COME AMOUNTS RECEIVED BY WRONGFULLY**
    16. **INCARCERATED INDMDUALS.**
    17. (a) Ix GEXERAL.-Section 304(d) of the Protecting·
    18. Americans from Tax Hikes Act of 2015 (26 U.S.C. 139F
    19. note) is amended by striking "1-year" and inserting "2-
    20. year''.
    21. (h) EFFECTIVE DATE.-Thc amendments made hy
    22. this section shall take effect on the <late of the enactment
    23. of this Act.

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1. **SEC. 11028. TEMPORARY REDUCTION IN MEDICAL EXPENSE**
2. **DEDUCTION FLOOR.**
3. (a) IN GENERAL.-Subseetion (f) of seetion 213 1s
4. amended to read as follows:
5. "(f) SPECIAI.i RULER FOR 2013 THROUGH 2018.-
6. In the case of any taxable year-
7. "(1) beginning after December ;31, 2012, and
8. ending; before ,January 1, 2017, in the ease of a tax-
9. payer if such taxpayer or such taxpayer's spouse has
10. attained age 65 before the close of such taxable
11. year, and
12. '' (2) beginning after December 31, 2016, and
13. ending before ,January 1, 2019, in the ease of any
14. taxpayer,
15. subsection (a) shall be applied with respect to a taxpayer
16. by substituting '7.5 percent' for '10 percent'.".
17. (b) MINIMV TAX PREFERENCE NOT TO APPLY.-
18. Seetion 56(b)(l)(B) is amended by adding- at the end the
19. following new sentence:"This subparagraph shall not
20. apply to taxable years beginning after December ;n, 2016,
21. and ending before January 1, 2019''.
22. (c) EFFECTIVE DATE.-The amendment made by
23. this seetion shall apply to taxable years beg·inning· after

24 December 31, 2016.

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1. **SEC. 11029. RELIEF FOR 2016 DISASTER AREAS.**
2. (a) IN GENERAL.-:B-,or purposes of this section, the
3. term "2016 disaster area" means any area ·with respect
4. to which a major disaster has been declared by the Presi-
5. dent under section 401 of the Robert T. Stafford Disaster
6. Relief and Emergency Assistance Act during calendar year 7 2016.
7. (b) SPECIAL RULES FOR USE OF RETIREMENT
8. FUNDS WITH RESPECT TO AREAS DAMAGED BY 2016
9. DIRARTERR.-
10. **(1)** TAX-FAVORED WITHDRAWALS FROM RE-
11. TIREMENT PLk S.-
12. (A) IN GENERAL.-Section 72(t) of the ln-
13. ternal Revenue Code of 1986 shall not apply to
14. any qualified 2016 disaster distribution.
15. **(B)** AGGREGATE DOLLAR LIMITATIOX.-
16. (i) IN GENERAL.-For purposes of
17. this subsection, the aggregate amount of
18. distributions received by an individual
19. which may be treated as qualified 2016
20. disaster distributions for any taxable year
21. shall not exceed the excess (if any) of- 23 (I) $100,000, over
22. (II) the aggregate amounts treat-
23. cd as qualified 2016 disaster distribu-

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1. tions received hy such individual for
2. all prior taxable years.
3. (ii) TREATMENT OF PLAN DISTRIBU­
4. rrIONS.-If a distribution to an individual
5. would (without regard to clause (i)) be a
6. qualified 2016 disaster distribution, a plan
7. shall not be treated as violating any re­
8. quirement of this title merely because the
9. plan treats such distribution as a qualified
10. 2016 disaster distribution, unless the ag­
11. gregate amount of such distributions from
12. all plans maintained by the employer (and
13. any member of any controlled group which
14. includes the employer) to such individual

15 exceeds $100,000.

1. (iii) CONTROLLED GROUP.-For pur­
2. poses of clause (ii), the term "controlled
3. group" means any group treated as a sin­
4. gle employer under subsection (b), (c),
5. (m), or (o) of section 414 of the Internal
6. Revenue Code of 1!J86.
7. (C) A..vt:OUNT DISTRIBPTED MAY BE RE­
8. PAID.-
9. (i) Ix GEXERAL.-Any individual who
10. receives a qualified 2016 disaster distribu-

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1. tion may, at any time during the 3-year
2. period beg·inning on the <lay after the <late
3. on which such distribution was received,
4. make one or more eontributions in an ag­
5. gregate amount not to exceed the amount
6. of such distrihution to an eligihle retire­
7. ment plan of which snch individual 1s a
8. beneficiary and to which a rollover con­
9. tribution of sueh distribution eould be
10. made under section 402(c), 403(a)( 4),

11 403(h)(8), 408(d)(3), or 457(e)(l6) of the

1. Internal Revenue Code of 1986, as the
2. case may be.
3. (ii) **THEA'rl\iIENT or ,, HEPAYMEXTS OP**
4. DISTRIBUTIONS FROM ELIGIBLE RETIRE­
5. MENT PLANS OTHER TI-IA.. IRAS.-For
6. purposes of the Internal Revenue Code of
7. 1986, if a contribution is made pursuant
8. to clause (i) with respeet to a qualified
9. 2016 disaster distribution from an eligible
10. retirement plan other than an individual
11. retirement plan, then the taxpayer shall, to
12. the extent of the amount of the contribu­
13. tion, be treated as having received the
14. qualified 2016 disaster distribution in an

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1. eligible rollover distribution (as defined in
2. seetion 402 (e)(4) of the Internal Revenue
3. Code of 1986) and as having transferred
4. the amount to the eligible retirement plan
5. in a direct trustee to trustee transfer with­
6. in 60 days of the distribution.
7. (iii) TREATMENT OF REPAYMENTS
8. FOR DISTRIBUTIONS FROM IRAS.-For
9. purposes of the Internal Revenue Code of
10. 1986, if a contribution is made pursuant
11. to clause (i) with respect to a qualified
12. 2016 disaster distribution from an indi­
13. vidual retirement plan (as defined by sec­
14. tion 770l(a)(37) of the Internal Revenue
15. Code of 1986), then, to the extent of the
16. amount of the contribution, the qualified
17. 2016 disaster distribution shall be treated
18. as a distribution described in section
19. 408(d)(3) of sueh Code and as haYing been
20. transferred to the eligible retirement plan
21. in a direct trustee to trustee transfer with­
22. in 60 days of the distribution.
23. (D) DEFIXITIONS.-For purposes of this
24. paragraph-

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* 1. (i) Q-CALIFIED 2016 DISASTER DIS-
  2. TRIBUTION.-Except as prmrided in sub­
  3. paragraph (B), the term "qualified 2016
  4. disaster distribution" means any distribu­
  5. tion from an eligible retirement plan made
  6. on or aner January 1, 2016, and hefore

7 January 1, 2018, to an individual whose

1. principal place of abode at any time during
2. calendar year 2016 was located in a dis­
3. aster area described in subsection (a) and
4. who has sustained an economic loss hy rea­
5. son of the events giving rise to the Presi­
6. dential declaration described in subsection
7. (a) which was applicable tu such area.
8. (ii) **ELIGIBLE RETIREMENT PLAN.­**
9. The term "eligible retirement plan" shall
10. have the meaning giYen such term by sec­
11. tion 402 (c) (8)(B) of the Internal Revenue
12. Code of 1986.
13. (E) INCOME INCLCSION SPREAD OYER 3-
14. **YEAR PERIOD.-**
15. (i) IN GENERAL.-In the case of any
16. qualified 2016 disaster distribution, unless
17. the taxpayer elects not to have this sub­
18. paragraph apply for any taxable year, any

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64

1. amount required to he included in gross in-
2. come for such taxable year shall be *so* in­
3. cluded ratably oYer the 3-taxable-year pe­
4. riod beginning v.rith such taxable year.
5. (ii) SPECIAL RULE.-For purposes of
6. clause (i), rules similar to the rules of suh­
7. parag-raph (E) of section 408A(<l)(3) of the
8. Internal Revenue Code of 1986 shall apply.
9. (11., ) SPECIAL HULES.-
10. (i) EXEMPTIOX OF DISTRIBUTIONS
11. FROM TRUSTEE TO TRUSTEE TRANSFER
12. AND WITHHOLDIXG RULES.-For purposes

13 of sections 401(a)(31), 402(f), and 3405 of

1. the Internal Revenue Code of 1986, quali­
2. fied 2016 disaster distribution shall not be
3. treated as eligihle rollover distrihutions.
4. (ii) QUALIFIED 2016 DISASTER DIS­
5. TRIBUTIONS TREATED AS MEETING PLAN
6. DISTBJBUTION HEQUIHEl\lENTS.-For pur­
7. poses of the Internal Revenue Code of
8. 19 8 6, a qualified 2016 disaster distrihu­
9. tion shall be treated as meeting the re­
10. quirements of sections 401(k)(2)(B)(i),

24 403(b)(7)(A)(ii), 403(b)(l l), and

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65

1 457(d)(l)(A) of the Internal Revenue Code

2 of 1986.

1. (2) PROVISIOXS RELATING TO PLA.., A..'\IEND-
2. MEWrS.-
3. (A) IN GENERAL.-If this paragraph ap-
4. plies to any amendment to any plan or annuity
5. eontract, such plan or eontract shall be treated
6. as being operated in accordance with the terms
7. of the plan during the period deseribed in sub­
8. paragraph (B)(ii)(I).
9. (B) AlVIENDMENTS TO WHICH SUBSECTIOX
10. **APPLIES.-**
11. (i) IN GENERAL.-This paragraph
12. shall apply to any amendment to any plan
13. or annuity contract which is made-
14. (!) pursuant to any provision of
15. this section, or pursuant to any regu­
16. lation under any prmi.sion of this sec­
17. tion; and
18. (II) on or before the last day of
19. the first plan year beginning on or
20. after January 1, 2018, or such later
21. date as the Secretary prescribes.
22. In the ease of a governmental plan (as de­
23. fined in section 414(d) of the Internal Rev-

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1. enue Code of 1g86), suhclause (II) shall he
2. applied by substituting· the date which is 2
3. years after the date otherwise applied
4. under subclause (II).
5. (ii) CONDITIONS.-This paragraph
6. shall not apply to any amendment unless­
7. (!) during the period-
8. (aa) beginning on the date
9. that this section or the regulation
10. described in clause (i)(I) takes
11. effect (or in the case of a plan or
12. contract amendment not required
13. by this section or such regula­
14. tion, the effective date specified
15. by the plan); and
16. (hh) ending on the date de­
17. scribed in clause (i)(II) (or, if
18. earlier, the date the plan or con­
19. tract amendment is adopted),
20. the plan or contract is operated as if
21. such plan or contract amendment
22. were in effect; and
23. (II) such plan or contract amend­
24. ment applies retroactively for such pe­
25. riod.

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* 1. (c) SPECIAL RULES FOR PERSONAL CASUALTY
  2. LOSSES RELATED TO 2016 MA.JOR DISASTER.-
  3. (1) IN GENERAL.-If an individual has a net
  4. disaster loss for any taxable year beginning after

5 December 31, 2017, and before January 1, 2026-

1. (A) the amount determined under section
2. 165(h)(2)(A)(ii) of the Internal Revenue Code
3. of 1986 shall be equal to the sum of-
4. (i) sueh net disaster loss, and
5. (ii) so much of the excess referred to
6. in the matter preceding clause (i) of sec-
7. tion 165(h)(2)(A) of such Code (reduced
8. by the amount in clause (i) of this sub-
9. paragraph) as exeeeds 10 pereent of the
10. adjusted gross income of the individual,
11. (B) section 165(h)(l) of such Code shall
12. be applied by substituting "$500" for "$500
13. ($100 for taxable years beginning after Decem- 19 ber 31, 2009)",
14. (C) the standard deduction determined
15. under section 63(c) of such Code shall he m-
16. creased by the net disaster loss, and
17. (D) section 56(b)(l)(E) of such Code shall
18. not apply to so much of the standard deduction

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1. as 1s attrihutahle to the increase under suh-
2. paragraph (C) of this paragTaph.
3. (2) NET DISASTER LOSS.-For purposes of this
4. subsection, the term "net disaster loss" means the
5. excess of qualified disaster-related personal casualty
6. losses over personal casualty gains (as defined in
7. section 165(h)(3)(A) of the Internal Revenue Code

**8** of 1986).

**9 (3) QUALH"IED DISASTEH-HELATED PEHSOXAL**

1. CASUALTY LOSSES.-For purposes of this para-
2. graph, the term ''qualified disaster-related personal
3. casualty losses" means losses described in section
4. 165(c)(3) of the Internal ReYenue Code of 1986
5. which arise in a disaster area described in subsection
6. (a) on or after January 1, 2016, and which are at-
7. trihutahle to the events giving rise to the Presi-
8. dential declaration described in subsection (a) which
9. was applicable to such area.
10. **PART IV-EDUCATION**
11. **SEC. 11031. TREATMENT OF STUDENT LOANS DISCHARGED**
12. **ON ACCOUNT OF DEATH OR DISABILITY.**
13. (a) IN GENERAL.-Section 108(f) is amended by
14. adding at the end the following new paragraph:
15. "(5) DISCHARGES ON ACCOUXT OF, DEATH OR
16. DISABILITY.-

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* 1. "(A) IN GENERAL.-In the case of an indi-
  2. vidual, gross income for any taxable year begin­
  3. ning after December 31, 2017, and before Jan­
  4. uary 1, 2026, does not inelude any amount
  5. which (but for this subsection) would be includ­
  6. ihlc in gross income for such taxable year by
  7. reasons of the diseharg;e (in whole or in part)
  8. of any loan described in subparagraph (B) if
  9. sueh diseharge was-
  10. "(i) pursuant to subsection (a) or (d)
  11. of section 4:37 of the Higher Education
  12. Act of 1965 or the parallel benefit under
  13. part D of title IV of such Act (relating to
  14. the repayment of loan liability),
  15. "(ii) pursuant to section 464(c)(l)(F)
  16. of such Act, or
  17. " (iii) otherwise discharged on account
  18. of the death or total and permanent dis­
  19. ability of the student.
  20. "(B) LOAXS DESCRIBED.-A loan is de­
  21. scribed in this subparagraph if such loan is­
  22. " (i) a student loan (as defined in
  23. paragraph (2) ), or
  24. "(ii) a private edueation loan (as de­
  25. fined in section 140(7) of the Consumer

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###### 70

1 Credit Protection Act (15 U.S.C.

2 1650(7))).".

1. (b) EFFECTIVE DATE.-The amendment made by
2. this section shall apply to discharges of indebtedness after

**5** December 31, 2017.

1. **SEC. 11032. INCREASE** IN **DEDUCTION FOR TEACHER EX-**
2. **PENSES.**

###### (a) IN GENERAL.-Subparagraph (D) of section

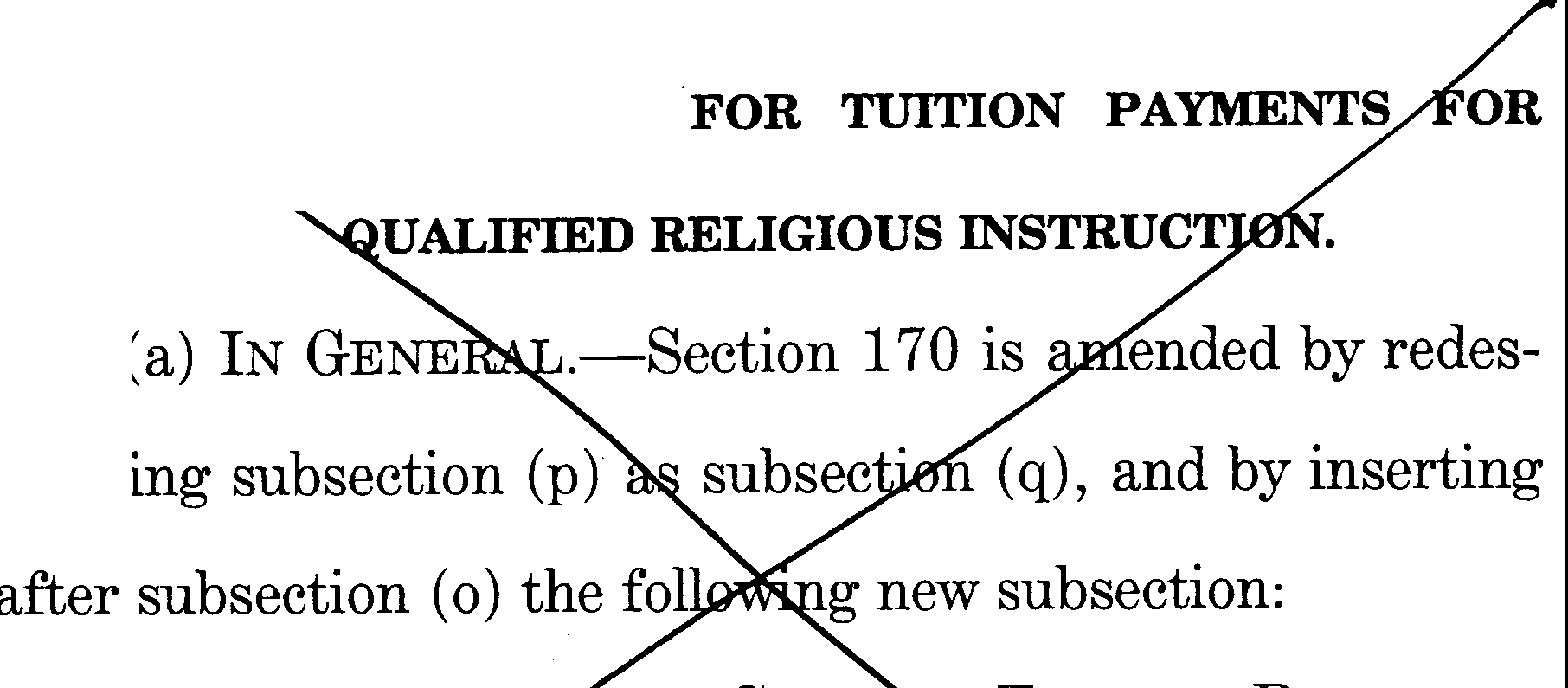
1. 62(a)(2) is amended by striking "$250" and inserting
2. "$250 ($500 in the case of taxable years beginning after

11 December 31, 2017, and b fore January 1, 2026)".

1

1. (b) EFFECTIVE DATE.-The amendment made by
2. this section shall apply to taxable years beginning after

14 December 31, 2017.



**DEDUCTION**

ignating subsection (p)

15

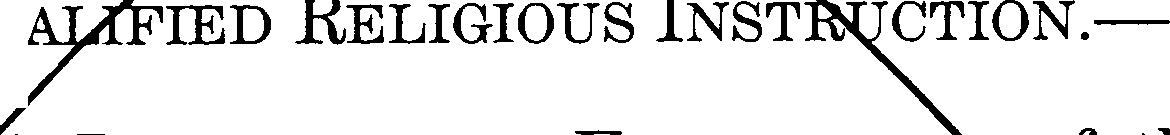
16

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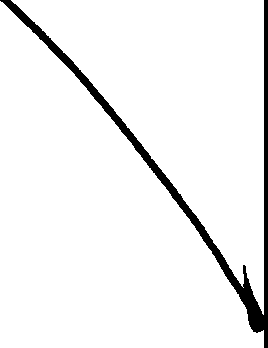
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19

###### TUITION PAYMENTS

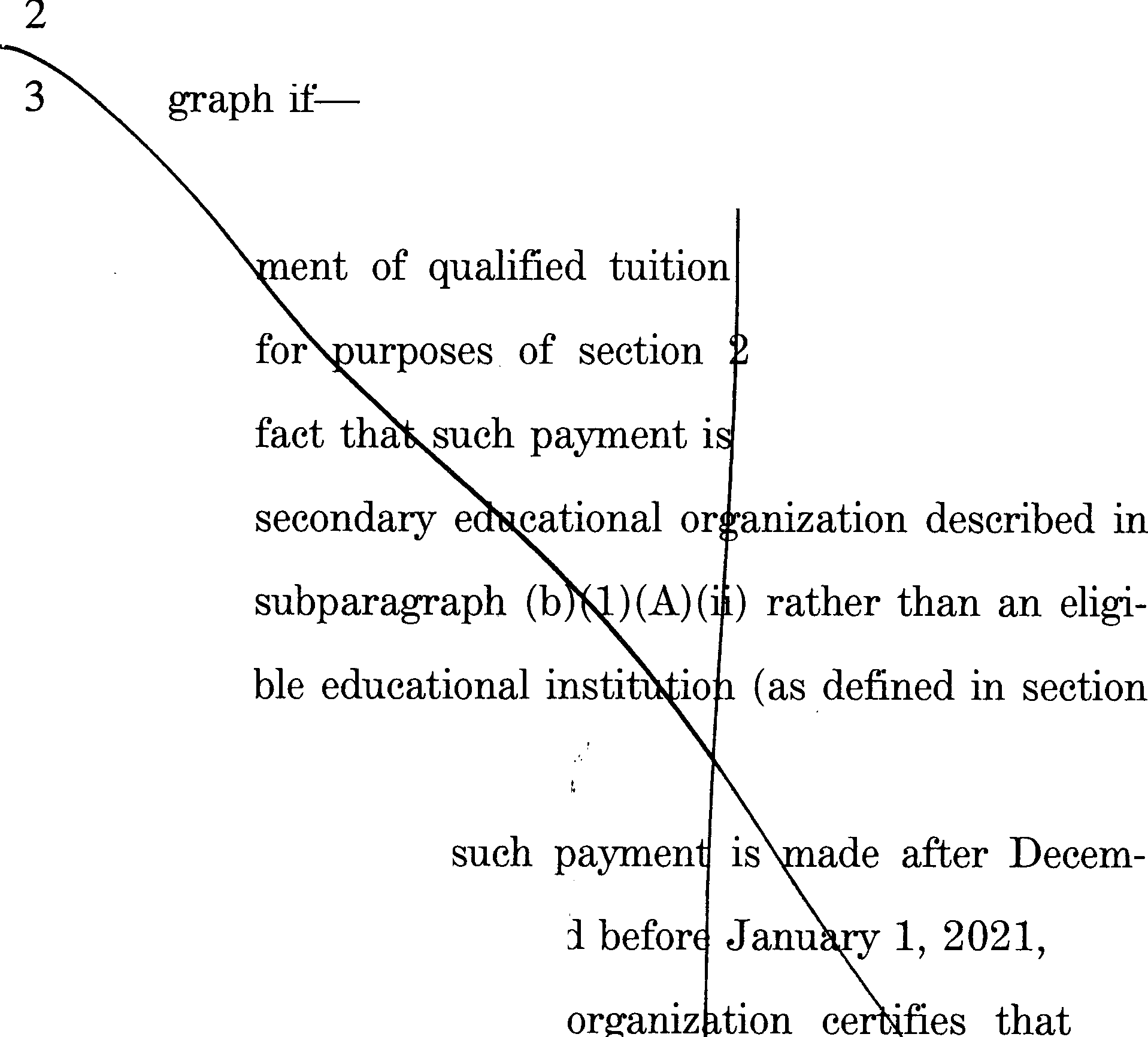
1. PAID FOR Qu

###### IN GENERAL.-For purpose of this sec-

1. , 25 percent of any amount describe in para­
2. shall be treated as a charitable con "bu-
3. tion.

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1

"(2) AMOUNT

.-For purposes of

paragraph (1), an amount is escribed in this para-

4

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6

7

"(A) such amount w uld be treated as pay­

and related expenses 5A(f)(l) but for the

made to a primary or

8

9

10

11

12

13

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25A(f)(2)),

ber 31, 2018, and befor

30

###### percent of the instructi n it provide each aca­

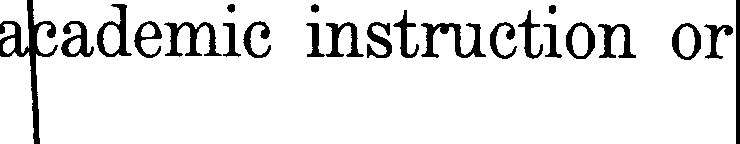
1. demic year consists o qualified religi us in­
2. struction, and
3. '' (D) such organiz tion has provided th
4. taxpayer a statement w ich contains the infor- \

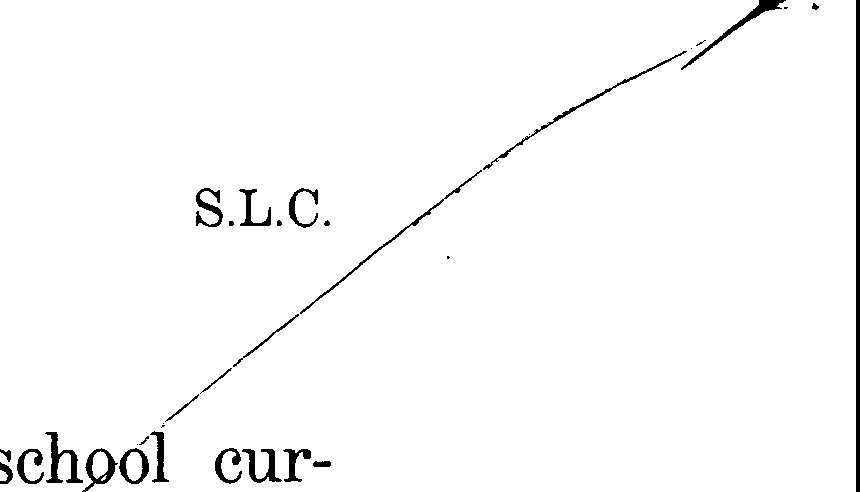
\

###### mation required by secti n 6050Z.

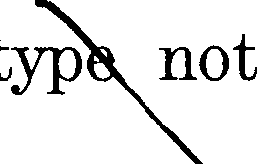
1. "(3) QUALIFIED RELI IOUS INSTRUCTION.­

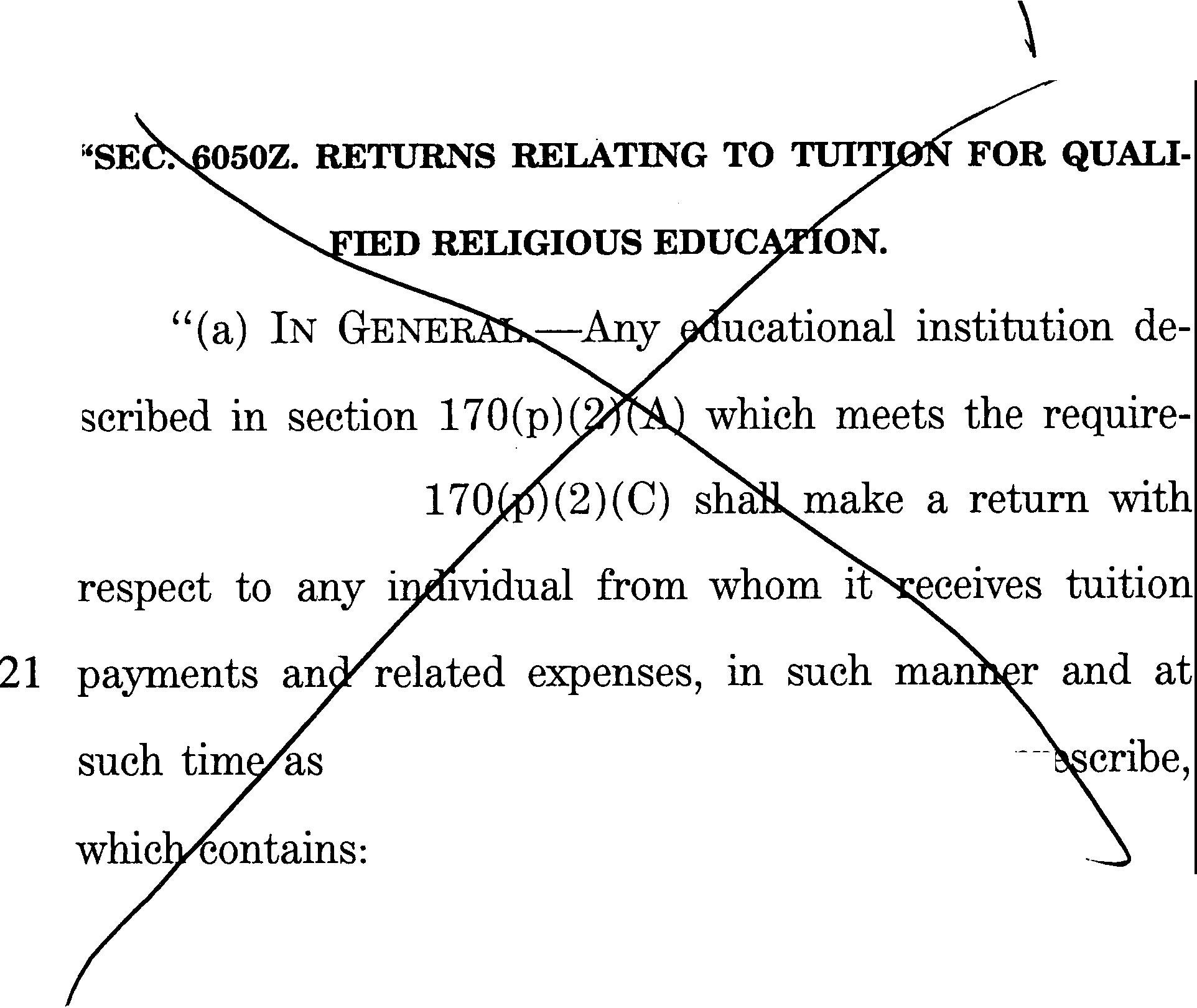
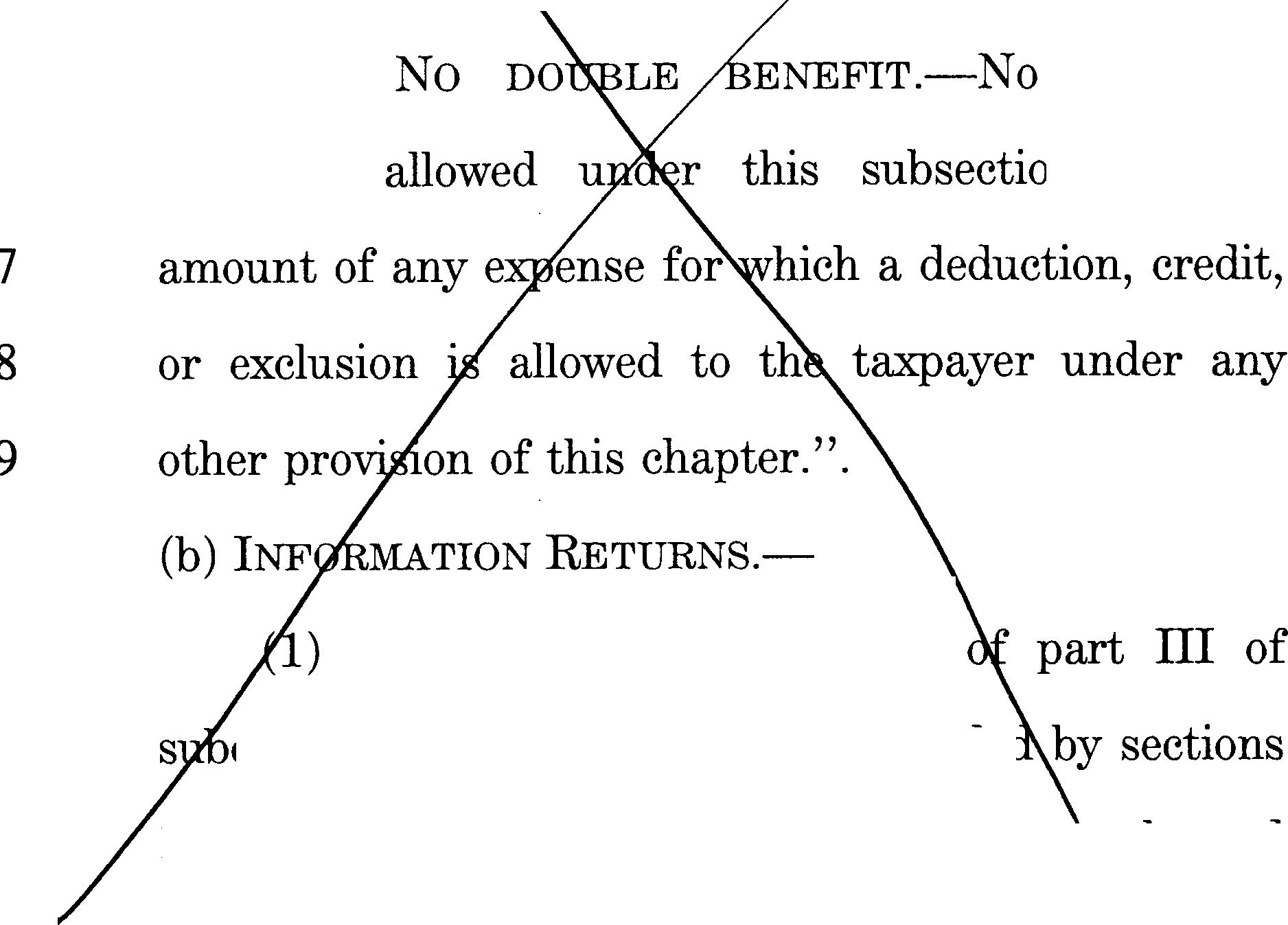
###### For purposes of this subsecti n, the term 'qualified

1. religious instruction' means  \
2. training regarding a particula religion (including te­
3. nets, doctrines, beliefs, rituals, customs, and rites) of

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###### 72

* 1. generally offered m public
  2. ricula, w· ch is provided by a teacher r other in-
  3. had significant
  4. post-secondary r igious studi .



5

6

"( 4)

shall be

deduction

r this subsection for the

10

11

12

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14

15

16

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**18**

**19**

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IN GENERAL:-'Subpart B

(

chapter *A* of chapter 61, as amende 13 306 and 13518, is amended by adding

the following new section:

the end

ments of section

22

23

as the Secretary may by regulations pr

O:\OTT\OTTl 7834.xml [file 2 of 5] S.L.C.

73

###### '' (1) the name, addr ss, and TIN of the indi-

1. vidual with respect to wh m tuition payments and
2. related expenses are receiv d,
3. "(2) the net amoun of payments for tuition
4. and related expenses described m section
5. 170(p)(2)(A) received wi respect to the individual
6. during the calendar year,
7. "(3) a certification that the institution meets
8. the requirements of sect on 170(p)(2)(C), and
9. "( 4) such other i formation as the Secretary
10. ·may prescribe.
11. "(b) STATEMENTS TO E FURNISHED TO INDMD-
12. UALS WITH RESPECT TO HOM INFORMATION ls RE-

###### QUIRED.-Every person req ired to make a return under

1. subsection (a) shall furnish o each individual whose name
2. is required to be set forth· such return under subpara-
3. graph (a)(l) a written state ent showing-
4. '' (1) the name, ddress, and phone number of
5. · the information cont4ct of the person required to
6. make such return, an· *i*
7. described m subsection

22 (a). 

1. The written statement req ·red under the preceding sen-
2. tence shall be furnished o or before January 31 of the

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###### 74

* 1. year following the calendar

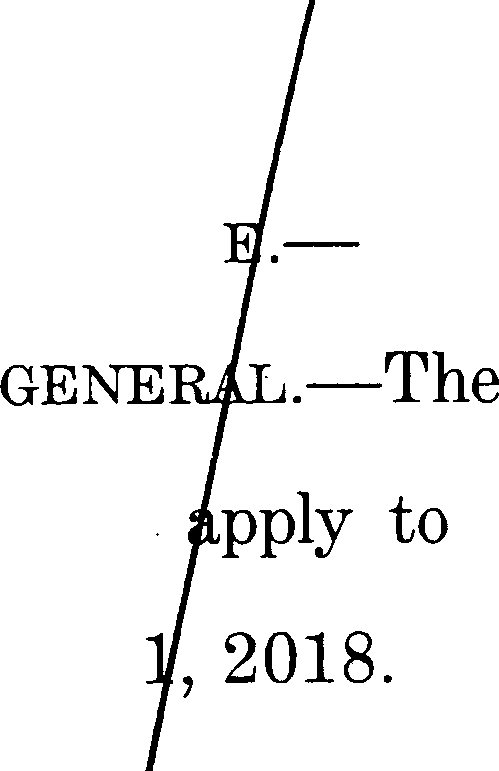
S.L.C.

###### the return

* 1. under subsection (a) was required to be m e.".
  2. (2) CONFORMING AMENDMEN .-The table of
  3. sections for subpart B of part II of subchapter A
  4. of chapter 61, as amended by ections 13306 and
  5. 13518, is amended by adding at the end the fol-
  6. lowing new item:

"Sec. 6050Z. Return relating to tuition for alified religious education.".

###### (c) EXEMPTION FROM Su STANTIATION REQUIRE-

* 1. MENT.-Section 170(f).(8)(A)· amended by adding at the
  2. end the following: "The prec ing sentence shall not apply
  3. to any amount treated as a haritable contribution by rea-
  4. son of subsection (p).''
  5. (d) EFFECTIVE DAT

14

1. this section shall
2. after December 3

amendments made by taxable years beginning

* ...

1. RENCE.-Nothing m the amend-
2. ments made by this section shall create any infer-
3. ence regarding he tax treatment of any other pay-
4. ment for religi us education or training made before,



**21**

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#### 75

* 1. **PART V-DEDUCTIONS AND EXCLUSIONS**
  2. **SEC. 11041. SUSPENSION OF DEDUCTION FOR PERSONAL**
  3. **EXEMPTIONS.**
  4. (a) IN GENERAL.-Suhsection (d) of section 151 1s
  5. amen<led-
  6. (1) by striking "In the case of" in paragraph
  7. (4) and inserting "Except as provided in paragraph
  8. (5), in the case of", and
  9. (2) hy adding at the end the following new
  10. paragraph:
  11. "(5) SPECIAL RULES FOR TAXABLE YEARS 2018
  12. THROUGH 2025.-In the case of a taxable year begin-
  13. ning after December 31, 2017, and before ,January 14 1, 2026-

1. "(A) EXEMPTION A..vIOUNT.-The term 'ex-
2. emption amount' means zero.
3. "(B) REFERENCES.-For purposes of any
4. other provision of this title, the reduction of the
5. exemption amount to zero under subparagraph
6. (A) shall not be taken into account in <leter-
7. mining whether a deduction is allowed or allow-
8. able, or whether a taxpayer is entitled to a de-
9. duction, under this section.''.
10. (h) APPLICATION TO ESTATES AND TRUSTS.-Sec-
11. tion 642(b)(2)(C) is amended by adding at the end the
12. following new clause:

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* 1. "(iii) YEARS \VHEN PERSONAL EX-
  2. EMPTION A..\WUXT IS ZERO.-
  3. "(!) Ix GENERAL.-In the case
  4. of any taxable year in which the ex­
  5. emption amount under section 15l(d)
  6. is zero, clause (i) shall he applied hy
  7. substituting- '$4,150' for 'the exemp­
  8. tion amount under section 151 (d)'.
  9. "(II) AD.JUST-
  10. MENT.-In thecase of any calendar
  11. year hegiuning after 2018, the $4,150
  12. amount in snbparagTaph (A) shall be
  13. increased by an amount equal to-
  14. "(aa) such dollar amount,
  15. multiplied by
  16. "(hh) the cost-of-living ad­
  17. justment determined under sec­
  18. tion 1(f)(3) for the calendar year
  19. in which the taxable year begins,
  20. determined by substituting

21 '2017' for '2016' m subpara­

1. graph (A)(ii) thereof.
2. If any increase determined under the
3. preceding sentence is not a multiple of

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1. $100, such mcrease shall he rounded
2. to the next lowest multiple of $100.".
3. (c) EXCEPTION FOR WAGE WITHHOLDIXG RULES.-
4. Seetion 8402(a) is amended by adding at the end the fol-
5. lowing nevi" paragraph:
6. "(8) YEARS W1IEX PERSONAL EXEMPTIOX
7. A...vIOrNT IS ZER0.-
8. "(A) IN GENERAL.-In the case of any
9. taxable year in whieh the exemption amount
10. under section 15l(d) is zero, paragraph (2)
11. shall he applied hy substituting '$4,150' for 'the
12. amount of one personal exemption provided in
13. section 151 (b)'.
14. "(B) l XI1,,LiNrION AD.JUSTMEN'l\-ln the
15. case of any calendar year beginning after 2018,
16. the $4,150 amount in subparagraph (A) shall
17. lw increased by an amount equal to-
18. '' (i) such dollar amount, multiplied by
19. "(ii) the cost-of-liYing adjustment de-
20. termined under section 1 (f)(8) for the cal-
21. cndar year in which the taxable year be-
22. gins, determined by substituting- '2017' for
23. '2016' in subparagraph (A)(ii) thereof.
24. If any increase determined under the preceding
25. sentence is not a multiple of $100, such in-

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1. crease shall he rounded to the next lowest nml-
2. tiple of $100.".
3. (d) EXCEPTION FOR DETERMINING PROPERTY Ex-
4. EMP'l' FRO.YI LEVY.-Seetion t:rn:34(d) is amended by add-
5. ing at the end the following new paragraph:
6. "(4) YEARS WHEN PERSONAL EXEMPTION
7. A.."\IOUNT IS ZER0.-
8. "(A) IN GENERAL.-In the case of any
9. taxable year in whieh the exemption amount
10. under section 151(d) is zero, paragraph (2)
11. shall not apply and for purposes of paragraph
12. (1) the term 'exempt amount' means an amount
13. equal to-
14. "(1') t*J*h e sum of. t,h e amount, det,er-
15. mined under subparagraph (B) and the
16. standard deduction, divided hy

17 "(ii) 52.

1. "(B) A.i'1:0UNT DETEK\'IIXED.-For pur-
2. poses of subparagraph (A), the amount deter-
3. mined under this subparagraph is $4,150 multi-
4. plied hy the numher of the taxpayer's depend-
5. ents for the taxable year in whieh the levy oe-
6. curs.
7. "(C) INFLATION ADJUSTMENT.-In the
8. case of any taxable year beginning after 2018,

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1. the $4,150 amount m suhparagraph (B) shall
2. be inereased by an amount equal to-
3. "(i) such dollar amount, multiplied by
4. "(ii) the eost-of-living adjustment dc-
5. termined under section l(f)(:3) for the cal-
6. endar year in which the taxahle year he-
7. gins, determined by substituting '2017' for
8. '2016' in subparagraph (A)(ii) thereof.
9. If any inerease determined under the preeeding
10. sentence is not a multiple of $100, such in-
11. crease shall he rounded to the next lowest mul-
12. tiple of $100.
13. "(D) VERII<-,IED STATEMENT.-Unless the
14. taxpayer submits to the Seeretary a written and
15. properly Yerified statement specifying the facts
16. necessary to determine the proper amount
17. under subparagraph (A), subparagraph (A)
18. shall be applied as if the taxpayer were a mar-
19. ricd indhi.dual filing a separate return with no
20. dependents.".
21. (c) PERSONS REQl:IRED TO :\'lAKE RETURNS Of.-, lN-
22. COME.-Seetion 6012 is amended by adding at the end
23. the following new subsection:
24. "(f) SPECIAL RULE FOR TA..XABLE YEARS 2018
25. THROUGH 2025.-In the case of a taxable year beginning

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1. aner December 31, 2017, and before January 1, 2026,
2. subsection (a)(1) shall not apply, and every individual who
3. has gross income for the taxable year shall be required
4. to make returns v.rith respect to income taxes under sub-
5. title A, except that a return shall not be required of-
6. '' (**1)** an individual who is not married (dcter-
7. mined by applying section 7703) and who has g-ross
8. income for the taxable year which does not exceed
9. the standard deduction applicable to such individual
10. for such taxable year under section 63, or
11. "(2) an individual entitled to make a joint rc-
12. turn if-
13. "(A) the gross income of such individual,
14. when combined with the g;ross income of such
15. individual's spouse, for the taxable year does
16. not exceed the standard deduction which would
17. be applicable to the taxpayer for such taxable
18. year under section 63 if such individual and
19. such individual's spouse made a joint return,
20. "(B) such individual and such individual's
21. spouse have the same household as their home
22. at the close of the taxable year,
23. "(C) such individual's spouse does not
24. make a separate return, and

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* 1. "(D) neither such individual nor such indi-
  2. vidual's spouse is an individual described in sec-
  3. tion 63(c)(5) who has income (other than
  4. earned income) in excess of the amount in ef-
  5. feet under section 6:3(c)(5)(A).".
  6. (f) EFFECTIVE DATE.-The amendments made hy
  7. this section shall apply to taxable years beginning after

**8** December 31, 2017.

9 **SEC. 11042. SUSPENSION OF DEDUCTION FOR STATE AND**

1. **LOCAL, ETC. TAXES.**
2. (a) IN GENERAL.-Suhsection (h) of section 164 is
3. amended by adding· at the end the following· new para-
4. graph:
5. " (*6)* SUSPENSION or ., INDIVIDUAL DEDUCrrIOXS
6. FOR TAXABLE YEARS 2018 THROUGH 2025.-ln the
7. case of an individual and a taxahle year heginning
8. after December 31, 2017, and before January 1, 18 2026-
9. "(A) foreign real property taxes (other
10. than taxes which are paid or accrued in car-
11. rying on a trade or husiness or an activity de-
12. scribed in section 212) shall not be taken into
13. account under subsection (a)(l),
14. " (B) the aggregate amount of taxes (other
15. than taxes which are paid or accrued in car-

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rying on a trade or husiness or an activity de- scribed in seetion 212) taken into account under subsection (a)(1) for any taxable year shall not exceed $10,000 ($5,000 in the case of a married individual filing a separate return),

"(C) suhsection (a)(2) shall only apply to taxes which are paid or accrued in carrying· on a trade or business or an activity described in section 212,

"(D) subsection (a)(:3) shall not apply to State and local taxes, and

"(E) paragraph (5) shall not apply.".

(b) EFFECTIVE DATE.-The amendment made by section shall apply to taxable years beginning after

15 December 31, 2017.

1. **SEC. 11043. SUSPENSION OF DEDUCTION FOR HOME EQ-**
2. **UITY INTEREST.**
3. (a) IN GENERAL.-Section 163(h)(3)(A)(ii) 1s
4. amended by inserting "in the ease of taxable years begin-
5. ning before January 1, 2018, or after December :n,
6. 2025," before "home equity indehtedness".
7. (b) EFFECTIVE DATE.-The amendment made by
8. this section shall apply to taxable years ending after De- 24 cember 31, 2017.

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1. **SEC. 11044. MODIFICATION OF DEDUCTION FOR PERSONAL**
2. **CASUALTY LOSSES.**
3. (a) IN GENERAL.-Subseetion (h) of seetion 165 is
4. amended by adding at the end the following new para-
5. graph:
6. "(5) LIMITATION FOR TAXABLE YEARS 2018
7. THROFGH 2025.-In the case of an individual, any
8. loss deseribed in subseetion (e)(3) whieh (but for
9. this paragraph) would be deductible in a taxable
10. year beginning after December :n, 2017, and before

11 January 1, 2026, shall be allowed only to the extent

1. it is attrihutahle to a Ft derally declared disaster (as
2. defined in subseetion (i)(5)). The preeeding- sentenee
3. shall not apply to any deduction under section 172
4. which is carried to such a taxable year from a tax-
5. able year beginning before ,January 1, 2018.".
6. (h) EFFECTIVE DATE.-The amendment made by
7. this seetion shall apply to losses ineurred in taxable years
8. beginning after December 81, 2017.
9. **SEC. 11045. SUSPENSION OF MISCELLANEOUS ITEMIZED**
10. **DEDUCTIONS.**
11. (a) IN GENERAL.-Section 67 is amended by adding
12. at the end the folluwing- new subseetion:
13. "(g) SeSPENSION :B.,OR TAXABLE YEARS 2018
14. THROUGH 2025.-Notwithstanding suhscction (a), no
15. miscellaneous itemized deduction shall be allowed for any

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* 1. taxable year bef,>inning after December 31, 2017, and be-
  2. fore January 1, 2026.".
  3. (b) EFFECTIVE DATE.-The amendment made by
  4. this section shall apply to taxable ·years beginning after

5 December :n, 2017.

1. **SEC. 11046. SUSPENSION OF OVERALL LIMITATION ON**
2. **ITEMIZED DEDUCTIONS.**

###### (a) IN GENEHAL.-Sectiou 68 is amended by adding

1. at the end the following new subsection:
2. "(f) SECTION NOT 'rO APPLY.-'rhis section shall not
3. apply to any taxable year bcgi161ing after December 31,
4. 2017, and before January 1, 20¥."-
5. (b) EFFECTIVE DATE.-'rhc amendments made by
6. this section shall apply to taxable years beginning after

15 December 31, 2017.

1. **SEC. 11047. MODIFICATION OF EXCLUSION OF GAIN FROM**
2. **SALE OF PRINCIPAL RESIDENCE.**

###### (a) IN GENERAL.-Section 121 is amended by adding

1. at the end the following new subsection:
2. "(h) SPECIAL RULES FOR SALES OR EXCHANGES IN
3. TAXABLE YEARS 2018 TIIIWUGII 2025.-
4. " (1) IN GENEHAL.-In applying this section
5. with respect to sales or exchanges after December
6. 31, 2017, and before January 1, 2026-

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* 1. "(A) '8-year' shall he suhstituted for '5-
  2. year' each place it appears in subsections (a),

3 (b)(5)(C)(ii)(I), and (c)(l)(B)(i)(I) and para-

4 graphs (7), (9), (10), and (12) of subsection

5 (d),

1. "(B) '5 years' shall he suhstituted for '2
2. years' each place it appears in subsections (a), 8 (b)(3), (b)( 4), (b)(5 )(C)(ii)(l11), and 9 (c)(l)(B)(ii), and
3. "(C) '5-year' shall be substituted for '2-
4. year' in suhsection (h)(:3).
5. "(2) EXCEPTION FOR BINDING COXTRACTS.-
6. Paragraph (1) shall not apply to any sale or ex-
7. change with respect to which there was a written
8. binding contract in effect before January 1, 2018,
9. and at all times thereafter hcforc the sale or ex-
10. change.''.
11. (b) EFFECTIVE DATE.-The amendment made by
12. this sed,ion shall apply to sales and exchanges after De-

20 cember 81, 2017.

1. **SEC. 11048. SUSPENSION OF EXCLUSION FOR QUALIFIED**
2. **BICYCLE COMMUTING REIMBURSEMENT.**
3. (a) IN GENERAL.-Section l:32(f) is amended by
4. adding at the end thP follov.ring new paragraph:

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* 1. "(8) SUSPENSION OF QUALIFIED BICYCLE COM-
  2. :\:1TTING REIMBURSEJIEXT EXCLFSIOX.-Paragraph
  3. (1)(D) shall not apply to any taxable year beginning
  4. after December 81, 2017, and before ,January 1,

5 2026.".

1. (h) EFFECTIVE DATE.-The amendment made hy
2. this section shall apply to taxable years beg-inning- after

8 December 31, 2017.

9 **SEC.**

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

1. Ix GEXERAL.-Section 182(g) is amended-

(}) by striking "For purposes of this section, the term" and inserting "For purposes of this sec­ tion-

**"(l) Ix** GENERAL.-The term'', and

* 1. hy adding at the end the following new paragraph:

"(2) SFSPEXSION FOR TAXABLE YEARS 2018

'rlllWlTGII 202s.-Execpt in the ease of a member of the Armed :B-,orces of the United States on active duty who moves pursuant to a military ordPr and in­ cident to a permanent ehangP of station, snbseetion (a)(6) shall not apply to any taxable year beginning after Deeember 31, 2017, and before ,January 1,

2026.".

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* + 1. (h) EFFECTIVE DATE.-The amendments made hy
    2. this section shall apply to taxable years beg·inning; after

3 December 31, 2017.

1. **SEC. 11050. SUSPENSION OF DEDUCTION FOR MOVING EX-**
2. **PENSES.**
3. (a) IK GEXERAL.-Section 217 is amended hy adding
4. at the end the following· new subset tion:
5. "(k) SUSPENSION OF DEDFCTION FOR TA..XABLE
6. YEAHS 2018 TIIHOUGII 2025.-Exeept in the case of an
7. individual to whom subsection (g·) applies, this section
8. shall not apply to any taxahle year heginning after Decem-
9. ber 31, 2017, and before January 1, 2026.".
10. (b) EFFECTIVE DATE.-The amendment made by
11. this section shall apply to taxable years beginning after

15 December 31, 2017.

1. **SEC. 11051. LIMITATION ON WAGERING LOSSES.**
2. (a) Ix GEXERAL.-Seetion 165(d) is amended by
3. adding at the end the following: ".B-,or purposes of the pre-
4. ceding sentence, in the ease of taxable years beginning
5. after December 31, 2017, and before January 1, 2026,
6. the term 'losses from wagering transactions' includes any
7. deduction otherwise allowable under this diapter incurred
8. in carrying on any wagering· transaction.".

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* 1. (h) EFF-,ECTIYE DATI<J.-The amendment made hy
  2. this section shall apply to taxable years beg·inning; after

3 December 31, 2017.

1. **PART VI-INCREASE IN ESTATE AND GIFT TAX**
2. **EXEMPTION**
3. **SEC. 11061. INCREASE IN ESTATE AND GIFr TAX EXEMP-**
4. **TION.**
5. (a) IN GENERAL.-Section 2010(c)(3) is amended by
6. adding at the end the following new subparagraph:
7. "(C) INCREASE IN BASIC EXCLUSION
8. fu\fOCNT.-In thecase of estates of decedents
9. dying or gifts made after Det ember 31, 2017,
10. and before January 1, 2026, subparagraph (A)
11. shall be applied by substituting '$10,000,000'

15 for '$5,000,000'.".

1. (h) COXFORMING AMENDMENT.-Suhsection (g) of
2. seetion 2001 is amended to read as follows:
3. "(g) MODIFICATIONS TO TAX PAYABLE.-
4. "(l) MoDrn-,ICNl'IONS 'l'O m1 -,T TAX PAYABLE 'l'O
5. REFLECT DIFFERENT TAX RATES.-Por purposes of
6. applying suhsection (h)(2) with respect to 1 or more
7. gifts, the rates of tax under subsection (c) in effect
8. at the decedent's death shall, in lieu of the rates of
9. tax in effcd at the time of such gifts, be used both
10. to compute-

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* 1. "(A) the tax imposed hy chapter 12 with
  2. respect to such g·ifts, and
  3. '' (B) the credit allowed against such tax
  4. under section 2505, ineluding in computing­
  5. "(i) the applicable credit amount
  6. under section 2505(a)(l), and
  7. "(ii) the sum of the amounts allowed
  8. as a credit for all preceding periods under

9 section 2505(a)(2).

1. **''(2) MODIFICATIOXS TO ESTATE TAX PAYABLE**
2. TO REFLECT DIFFEREXT BASIC EXCLUSION
3. A..vfOUNTS.-The Set retary shall prest ribe such reg11-
4. lations as may be necessary or appropriate to carry
5. out this section with respect to any difference be-
6. tween-
7. "(A) the hasic exclusion amount under sec-
8. tion 2010(c)(3) applicable at the time of the de-
9. cedent's death, and
10. '' (B) the basic exclusion amount under
11. such section applicable ·with respect to any gifts
12. made hy the decedent.".
13. (c) EFFECTIYE DATE.-The amendments made by
14. this section shall apply to estates of decedents dying and
15. gifts made after Det ember :31, 201 7.

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* 1. **PART VII-TAXPAYER RIGHTS AND TAX**
  2. **ADMINISTRATION**
  3. **SEC. 11071. EXTENSION OF TIME LIMIT FOR CONTESTING**
  4. **IRS LEVY.**
  5. (a) EXTENSIOX OF TIME FOR RETURX OF PROPERTY
  6. SuB.JECT TO LEVY.-Subsection (b) of section 6848 is
  7. amended by striking "9 mouths" and inserting "2 years".
  8. (b) PERIOD OF LIMITATIOX ox SeITS.-Subsection
  9. (c) of section 6582 is amended-

IO (1) by striking "9 months" m paragraph (1)

1. and inserting "2 years", and
2. (2) by striking " }-month" in paragraph (2) and
3. inserting "2-year".
4. (c) EFFECTffE DATE.-The amendments made hy
5. this section shall apply to-
6. (1) leYies made after the date of the enactment
7. of this Act, and
8. (2) levies made on or before such date if the 9-
9. month period has not expired under section 6:34:3(h)
10. of the Internal ReYenue Code of 1986 (without re-
11. gard to this section) as of such date.
12. **SEC. 11072. MODIFICATION OF USER FEE REQUIREMENTS**
13. **FOR INSTALLMENT AGREEMENTS.**
14. (a) IN GEXERAL.-Section 6159 is amended hy re-
15. designating subseetion (f) as subsection (g-) and by insert-
16. ing after subsection (e) the following new subsection:

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* 1. "(f) lNSTALLMEXT AGHEEMEXT FEES.-
  2. "(1) LD1ITATIOX ox FEE AJIOrXT.-The
  3. amount of any fee imposed on an installment agTee-
  4. ment under this seetion may not exeeed the amount
  5. of such fee as in effect on the date of the enactment
  6. of this subsection.
  7. "(2) WAIYER OR REIMBrRSE:MENT.-In the
  8. case of any taxpayer with an adjusted gross income,
  9. as determined for the most rceent year for whieh
  10. such information is available, which does not exceed
  11. 250 percent of the applicahle poverty level (as deter-
  12. mined by the Secretary)-
  13. "(A) if the taxpayer has agreed to make
  14. payments under the installment agreement by
  15. electronic payment through a debit instrument,
  16. no fee shall he imposed on an installment agree-
  17. ment under this seetion, and
  18. '' (B) if the taxpayer is unable to make
  19. payments under the installment agreement by
  20. electronic payment through a debit instrument,
  21. the Secretary shall, upon completion of the in-
  22. stallment agreement, pay the taxpayer an
  23. amount equal to any such fees imposed.".
  24. (b) EFFECTIVE DATE.-The amendments made by
  25. this section shall apply to agreements entered into on or

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1. after the date which is 60 days after the date of the enact-
2. ment of this Act.
3. **SEC. 11073. A'ITORNEYS' FEES RELATING TO AWARDS TO**
4. **WHISTLEBLOWERS.**
5. (a) IN GENERAL.-Paragraph (21) of section 62(a)
6. is amended to read as follows:
7. "(21) ATTORNEYS' FEES RELATING TO AWARDS
8. TO WHISTLEBLOWERS.-
9. "(A) I GENEIW...-Any deduction allow-
10. able under this chapter for attorney fees and
11. court costs paid hy, or on behalf of, the tax-
12. payer in connection with any award un<ler-
13. "(i) section 7623(b), or
14. "(ii) any action brought undcr-
15. "(I) section 21F of the Securities
16. Exchange Act of 1984 (15 U.S.C.

17 78u-6),

1. "(II) a State false claims act, in-
2. eluding a State false daims aet with
3. qui tam provisions, or
4. "(III) section 28 of tlw Corn-
5. modity Exchange Act (7 U.S.C. 26).
6. "(B) MAY NOT EXCEED AWARD.-Sub-
7. paragraph (A) shall not apply to any deduction
8. in excess of the amount includible in the tax-

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1. payer's gross income for the taxable year on ac-
2. eount of sneh award.".
3. (b) EFFECTIVE DATE.-The amendment made by
4. this seetion shall apply to taxable years beginning after 5 December 31, 2017.
5. **SEC. 11074. CLARIFICATION OF WHISTLEBLOWER AWARDS.**
6. (a) DEFINITION OF PROCEEDS.-
7. (1) IN GENERAL.-Section 7623 is amended by
8. adding at the end the following new subsection:
9. " (c) PROCEEDS.-For purposes of this section, the
10. term 'proceeds' includes-
11. "(l) penalties, interest, additions to tax, and
12. additional amounts provided under the internal reY-
13. enue laws, and
14. "(2) any proceeds arising from laws for which
15. the Internal Revenue Service is authorized to admin-
16. ister, enforee, or investigate, including·-
17. "(A) criminal fines and civil forfeitures,
18. and
19. "(B) violations of reporting reqmre-
20. mcnts.".
21. (2) COXFORMING AMENDMENTS.-ParagTaphs
22. (1) and (2)(A) of section 762:3(b) are each amended
23. by striking "eolleeted proeecds (including penalties,
24. interest, additions to tax, and additional amounts)

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1. resulting from the action" and inserting "proceeds
2. colleetecl as a result of the aetion".
3. **(b) Al\1:0UNT OF1 PROCEEDS DETERMINED WITHOUT**
4. **REGAHD rro AYAIIABILrl'Y.-Paragraphs** (1) **and (2)(A)**
5. of section 7628(b) are each amended by inserting "(deter-
6. mined without regard to whether such proceeds an aYail-
7. able to the Secretary)" after "in response to such action".
8. (c) DISPUTED AMOrNT TIIRESIIOLD.-Section
9. 7o28(b)(5)(B) is amended by striking "tax, penalties, in-
10. terest, additions to tax, and additional amounts" and in-
11. serting ''proceeds''.
12. (d) EFFECTIVE DATE.-The amendments made by
13. this section shall apply to information provided before, on,
14. or after the date of the enactment of this Aet with respect
15. to which a final determination for an award has not been
16. made hcforc such date of enactment.
17. **PART VIII-INDIVIDUAL MANDATE**
18. **SEC. 11081. ELIMINATION OF SHARED RESPONSIBILITY**
19. **PAYMENT FOR INDIVIDUALS FAILING TO**
20. **MAINTAIN MINIMUM ESSENTIAL COVERAGE.**
21. (a) IN GENERAL.-Section 5000A(c) is amcndcd-
22. (1) in paragTaph (2)(B)(iii), by striking "2.5
23. percent" and inserting "Zero percent", and
24. (2) in paragraph (:3)-

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1. (A) by striking "$695" m subparagraph
2. (A) and inserting "$0", and
3. (B) by striking subparagraph (D).
4. (b) EFFECTIVE DATE.-The amendments made by
5. this section shall apply to months beginning after Decem-

6 ber 31, 2018.

1. **Subtitle B-Alternative .Minimum**
2. **Tax**
3. **SEC. 12001. INCREASED EXEMPTION FOR INDIVIDUALS.**

###### (a) INCREASED EXEMPTION.-Section 55(d) lS

1. amended by adding at th end the following new para-
2. graph:
3. "(5) SPECIAL RULE FOR TAXABLE YEARS BE-
4. GINNING AFTER 2017 AND BEFORE 2026.-

###### "(A) IN GENERAL.-In the case of any

1. taxable year beginning after December 31,
2. 2017, and before January 1, 2026-
3. "(i) paragraph (1) shall be applied-
4. "(I) by substituting '$109,400'
5. for '$78,750' in subparagraph (A),
6. and
7. "(II) by substituting '$70,300'
8. for '$50,600' in subparagraph (B),
9. and
10. " (ii) paragraph (3) shall be applied-

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* 1. "(I) hy suhstituting '$208,400'
  2. for '$150,000' in subparagTaph (A),
  3. "(II) by substituting '$156,300'
  4. for '$112,500' in subparagraph (B),
  5. and
  6. "(III) in the case of a taxpayer
  7. <leseriLe<l in paragTaph (l)(D), with­
  8. out regard to the substitution under
  9. subdause (I).
  10. "(B) INFLATION AD.JUSTMENT.-
  11. "(i) Ix GENERAL.-In the case of any
  12. taxable year beg-inning; in a ealen<lar year
  13. after 2018, the amounts described m
  14. dause (ii) shall eaeh be inercascd by an
  15. amount equal to-
  16. "(I) such dollar amount, multi­
  17. plied by
  18. "(II) the cost-of-living adjust­
  19. ment determined under seetion 1 (f)(;3)
  20. for the calendar year in which the tax­
  21. able year hegins, determined hy suh­
  22. stituting· 'ealen<lar year 2017' for 't al­
  23. endar year 2016' in subparagraph
  24. (A)(ii) thereof.

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1. "(ii) M101JXTS DESCRIBED.-The
2. amounts dest ribed in this clause are the
3. $109,400 amount m subparagraph
4. **(A)(i)(I),** the $70,300 amount in subpara­
5. graph **(A)(i)(II),** the $208,400 amount in
6. suhparagraph **(A)(ii)(l),** and the $156,300
7. amount in subparagTaph (A)(ii)(II).
8. "(iii) Rou DIXG.-Any increased
9. amount determined under clause (i) shall
10. be rounded to the nearest multiple of

11 $100.".

1. (b) EFFECTIVE DATE.-The amendments made by
2. this section shall apply to taxable years beginning after

14 December 31, 2017.

# Subtitle C-Business-related

1. **Provisions**
2. PART I-CORPORATE PROVISIONS
3. **SEC. 13001. 20-PERCENT CORPORATE TAX RATE.**
4. (a) IN GENEHAL.-Subsection (b) of section 11 IS
5. amended to read as follows:
6. "(h) Al\muNT o ., TA..x.-The amount of the tax im-
7. posed by subsection (a) shall be 20 percent of taxable in-
8. come.".
9. (b) CONFORMING MIENDMENTS.-

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* 1. (1) The following sections arc each amended hy
  2. striking- "section 11 (b)(1)" and inserting "section 3 11(b)":

4 (A) Section 280C(c)(8)(B)(ii)(II).

1. (B) Paragraphs (2)(B) and (6)(A)(ii) of
2. section 860E(e).

7 (C) Seetion 7874(e)(l)(B).

1. (2 )(A) Part I of subchapter P of chapter 1 1s
2. amended by striking section 1201 (and by striking
3. the item relating to such section in the table of sec-
4. tions for such part).
5. (B) Section 12 is amended by striking para-
6. graphs (4) and (6), and by redesignating paragraph
7. (5) as paragTaph (4).
8. (C) Section 458A(c)(8) is amended by striking
9. "or 1201 (whichever is appropriate)".
10. (D) Section 527(b) is amended-
11. (i) by striking paragraph (2), and
12. (ii) by striking· all that precedes "is hereby
13. imposed'' and inserting:
14. "(b) TAX IMPOSED.-A tax".
15. (E) Sections 594(a) is amended by striking
16. "taxes imposed by section 11 or 120l(a)" and in-
17. serting "tax imposed by section 11".

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**1** (F) Section 691(c)(4) 1s amended hy striking 2 "1201,".

1. (G) Section 80l(a) is amended-
2. (i) by striking paragraph (2), and
3. (ii) by striking all that precedes "is hereby
4. imposed" and inserting:
5. " (a) TAX IMPOSED.-A tax".
6. (H) Section 831 (e) is amended by striking
7. paragraph (1) and by redesignating paragraphs (2)
8. and (3) as paragraphs (1) and (2), respectively.
9. (I) Sections 832(c)(5) and 834(h)(l)(D) are
10. eaeh amended by striking "sec. 1201 and fol-
11. lowing,".
12. ( J) Seetion 852(b)(3)(A) is amended by strik-
13. ing "section 1201(a)" and inserting "section ll(b)".
14. (K) Section 857(h) (:3) is amended-
15. (i) by striking; subparagraph (A) and re-
16. designating subparagraphs (B) through (F) as
17. subparagraphs (A) through (E), respectively,
18. (ii) in subparagraph (C), as so redesig-
19. nated-
20. (I) by striking "subparagraph (A)(ii)"
21. m clause (i) thereof and inserting "para-
22. graph (1)",

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* 1. (II) hy striking "the tax imposed hy
  2. subparagraph (A)(ii)" in clauses (ii) and
  3. (iv) thereof and inserting "the tax imposed
  4. by paragraph (1) on undistributed eapital
  5. gain",
  6. (iii) in suhparagraph (E), as so rcdcsig-
  7. nated, by striking "subparagTaph (B) or **(D)"**
  8. and inserting "subparagraph (A) or (C)", and
  9. (iv) by adding at the end the following new
  10. subparagraph:
  11. "(F) UNDISTRIBUTED CAPITAL GAIN.-
  12. For purposes of this paragraph, the term 'un-
  13. distributed capital gain' means the excess of the
  14. net eapital gain over the deduction for diYi-
  15. dends paid (as defined in section 561) deter-
  16. mined with reference to capital gain dividends
  17. only.".
  18. (L) Section 882(a)(l) is amended by striking ",
  19. 55, or 1201(a)" and inserting "or 55".
  20. (M) Section 904(b) is amended-
  21. (i) hy striking "or 1201(a)" in paragraph 22 (2)(C),

1. (ii) by striking paragraph (3)(D) and m-
2. serting the following:

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* 1. "(D) CAPITAL GAIN RATE DIFFEREN-
  2. TIAL.-There is a capital gain rate differential
  3. for any year if subsection (h) of section 1 ap­
  4. plies to such taxable year.'', and
  5. (iii) by striking paragraph (:3)(E) and in­
  6. serting the following:
  7. "(E) RATE DIFFERENTIAL PORTION.-The
  8. rate differential portion of foreign source net
  9. capital gain, net capital gain, or the excess of
  10. net capital gain from sources within the United
  11. States over net capital gain, as the case may
  12. be, is the same proportion of such amount as-
  13. " (i) the excess of-
  14. '' (I) the highest rate of tax set
  15. forth in subsection (a), (b), (c), (d), or
  16. (e) of section 1 (whichever applies),
  17. over
  18. "(II) the alternative rate of tax
  19. determined under section l(h), bears
  20. to
  21. "(ii) that rate referred to in suhclause 22 (I).".

1. (N) Section 1374(b) 1s amended by striking
2. paragraph (4).

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* 1. (0) Section 1881(h) 1s amended hy striking
  2. "taxes imposed by section **11** or 1201" and inserting·
  3. "tax imposed by section 11 ".
  4. **(P)** Sections 6425(c)(l)(A) and
  5. 6655(g)(l)(A)(i) are each amended by striking "or

6 1201(a),".

7 **(Q)** Section 7518(g-)(6)(A) is amended by strik­

8 ing "or 1201(a)".

9 (3)(A) Section 1445(e)(l) is amended-

1. (i) by striking "35 percent" and inserting
2. "the highest rate of tax in effect for the taxable
3. year under section 11 (b)", and
4. (ii) by striking "of the gain" and inserting
5. "multiplied by the gain".
6. (B) Section 1445(e)(2) is amended by striking
7. "35 percent of the amount" and inserting "the high­
8. est rate of tax in effect for the taxable year under
9. section ll(b) multiplied by the amount".
10. (C) Section 1445(e)(6) is amended-
11. (i) by striking "35 percent" and inserting
12. "the highest rate of tax in effect for the taxable
13. year under section 11 (b)", and
14. (ii) hy striking "of the amount" and m­
15. serting· ''multiplied by the amount''.

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1. **(D)** Section 1446(h)(2)(B) is amended hy strik-
2. mg "section 11 (b)(1)" and inserting "section

3 11(b)".

1. (4) Section 852(b)(l) Is amended by striking
2. the last sentence.
3. (5)(A) Part I of suhchaptcr B of chapter 5 is
4. amended by striking section 15 51 (and by striking
5. the item relating to such section in the table of sec-
6. tions for such part).
7. (B) Section 5:35(c)(5) IS amended to read as
8. follows:
9. " (5) CROSS REFERENCE .-For limitation on
10. credit provided in paragraph (2) or (3) in the case
11. of certain controlled corporations, sec section 15 1561.".
12. (6)(A) Section 1561(a) is amcndcd-
13. (i) by striking parag-raph (1) and redesig-
14. nating paragraphs (2) and (3) as paragraphs
15. (1) and (2), rcspcctiw ly,
16. (ii) by striking· "amounts specified in para-
17. graph (1) and the amount specified in para-
18. graph (3)" and inserting "the amount specified
19. in paragraph (2)",

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* 1. (iii) hy striking "The amounts specified in
  2. paragraph (2)" and inserting "The amounts
  3. specified in paragraph (1)'',
  4. (iv) by striking the third sentence m the
  5. flush language, and
  6. (v) hy striking ''under paragraph (8)'' and
  7. inserting· "under paragraph (2)".
  8. **(B)** The first sentence of section 15 61(b) is
  9. amended to read as follows: "If a corporation has a
  10. short taxable year which does not include a Decem-
  11. her 81 and is a component memher of a controlled
  12. group of corporations with respect to such taxable
  13. year, then for purposes of this subtitle the amount
  14. to be used in computing· the accumulated earning·s
  15. credit under ·section 585(c)(2) and (8) of such cor-
  16. poration for such taxable year shall he the amount
  17. specified in subsection (a)(1) divided by the number
  18. of corporations which are component members of
  19. such gToup on the last day of such taxable year."
  20. (7) Section 7518(g)(6)(A) is amended-
  21. (A) by striking "With respect to the por-
  22. tion" and inserting "In the case of a taxpayer
  23. other than a corporation, with respect to the
  24. portion'', and

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* + 1. (B) hy striking "(34 percent in the case of
    2. a corporation)".
    3. (c) EFFECTIVE DATE.-
    4. (1) IN GENEHAL.-Except as otherwise pro-
    5. vided in this subsection, the amendments made by
    6. this section shall apply to taxable years beginning
    7. after December 31, 2018.
    8. (2) WITHHOLDING.-The amendments made by
    9. subsection (b) (3) shall apply to distributions made
    10. after December 31, 2018.
    11. (3) CERTAIN TRA.. SFERS.-The amendments
    12. made by subsection (b) (6) shall apply to transfers
    13. made after December 31, 2018.
    14. (d) NORMALIZATION REQUIHEMEWrS.-
    15. (1) IN GENERAL.-A normalization method of
    16. accounting shall not he treated as being used with
    17. respeet to any public utility property for purposes of
    18. section 167 or 168 of the Internal Revenue Code of
    19. 1986 if the taxpayer, in computing its cost of service
    20. for ratemaking purposes and reflecting operating re-
    21. suits in its regulated hooks of account, reduces the
    22. excess tax reserve more rapidly or to a greater ex-
    23. tent than such reserve would be reduced under the
    24. average rate assumption method.

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* + - 1. **(2) ALTERNATIVE METHOD FOR CERTAIN TAX-**
      2. PAYERS.-If, as of the first day of the taxable year
      3. that includes the date of enactment of this Act-
      4. (A) the taxpayer was required by a regu-
      5. latory agency to compute depreciation for public
      6. utility property on the hasis of an ayeragc life
      7. or composite rate method, and
      8. **(B)** the taxpayer's books and underlying
      9. records did not contain the vintage account
      10. data necessary to apply the average rate as-
      11. sumption method,
      12. the taxpayer will be treated as using a normalization
      13. method of accounting if, with respect to such juris-
      14. diction, the taxpayer uses the alternative method for
      15. public utility property that is subject to the regu-
      16. latory authority of that jurisdiction.
      17. (3) DEFINITIONS.-For purposes of this sub-
      18. section-
      19. (A) EXCESS TAX HESEHVE.-The term
      20. "excess tax reserve" means the excess of-
      21. (i) the reserve for deferred taxes (as
      22. described in section 168(i)(9)(A)(ii) of the
      23. Internal Revenue Code of 1986) as deter­
      24. mined under the Internal Revenue Code of

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1. 1986 as in effect on the day hefore the
2. <late of the enactment of this Act, over
3. (ii) the amount which would be the
4. balance in such reserve if the amount of
5. such reserve were determined by assuming
6. that the corporate rate reductions prmided
7. in this Act were in effect for all prior peri­
8. ods.
9. (B) AVEHAGE HA'l'E ASSUMPTION ME'rII-
10. 0D.-The average rate assumption method is
11. the method under which the excess in the re­
12. serve for deferred taxes is reduced over the re­
13. maining lives of the property as used in its reg­
14. ulated books of account which gave rise to the
15. reserve for deferred taxes. Under such method,
16. if timing differences for the property reverse,
17. the amount of the adjustment to the reserve for
18. the deferred taxes is calculated by multi­
19. plying-
20. (i) the ratio of the aggregate deferred
21. taxes for the property to the aggregate
22. timing· differences for the property as of
23. the beginning of the period in question, by
24. (ii) the amount of the timing dif­
25. ferences which reverse during such period.

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21 **SEC.**

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1. ALTERNATIVE METHOD.-The "alter- native method" is the method in which the tax­ payer-
   1. computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted aYerage life or composite rate used to com­ pute depreciation for regulatory purposes, and
   2. reduces the excess tax reserve rat­ ahly over the remaining regulatory life of the property.

**(4) TAX INCREASED FOR NORMALIZATION VIO­** LATION.-If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting, the taxpayer's tax for the taxable year shall be increased by the amount by which it reduces its excess tax re­ serve more rapidly than permitted under a normal­ ization method of accounting.

**13002. REDUCTION IN DIVIDEND RECEIVED DEDUC­ TIONS TO REFLECT LOWER CORPORATE IN­ COME TAX RATES.**

(a) DIVIDENDS RECEIVED BY CORPORATIONS.-

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1. (1) IN GENERAL.-Section 248(a)(l) is amend-
2. ed by striking "70 percent" and inserting "50 per-
3. cent''.
4. (2) DI\'IDEXDS F,IWM 20-PEHCEN'r OWNED COH-
5. PORATIONS.-Section 24:3(c)(l) is amended-
6. (A) hy striking "80 percent" and inserting
7. "65 percent", and
8. (B) by striking "70 percent" and inserting
9. "50 percent".
10. ( 3) CONFORl.VIING AMENDMENT.-The heading
11. for section 24:3(c) is amended hy striking "RETEN-
12. TION OF 8O-PERCENT DIVIDEND RECEIYED DEDUC-
13. TION" and inserting "INCREASED PERCENTAGE".
14. (b) DIVIDENDS RECEIVED FHOM FSC.-Section
15. 245(c)(l)(B) is amended-
16. (1) hy striking "70 percent" and inserting "50
17. percent'', and
18. (2) by striking "80 percent" and inserting "65
19. percent".
20. (c) LIMITATION ON AGGREGATE A1vrorxT OF *DEDVC-*
21. TIONS.-Section 246(h)(8) is amended-
22. (1) by striking "80 percent" in subparagTaph
23. (A) and inserting "65 percent", and
24. (2) by striking "70 percent" m subparagraph
25. (B) and inserting "50 percent".

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1. (d) REDUCTION IN DEDUCTION WHERE P ORTF10 LIO
2. STOCK Is DEBT-FIXAXCED.-Section 246A(a)(l) IS
3. amended-
4. (1) by striking "70 percent" and inserting "50
5. percent", and
6. (2) hy striking "80 percent" and inserting "65
7. pereent".
8. (e) INCOME FROM SOCRCES \\TITHIX THE UNITED
9. STATES.-Section 86l(a)(2) is amended-
10. (1) by striking "100/70th" and inserting "100/
11. 50th" in subparagraph (B), and
12. (2) in the flush sentence at the end-
13. (A) by striking "100/80th" and inserting 14 "100/65th", and

15 (B) by striking "100/70th" and inserting 16 "100/50th".

1. (f) EFFECTIVE DATE.-The amendments made by
2. this section shall apply to taxable years beginning after

19 December 81, 2018.

1. PART II-SMALL BUSINESS REFORMS
2. **SEC. 13101. MODIFICATIONS OF RULES FOR EXPENSING DE-**
3. **PRECIABLE BUSINESS ASSETS.**
4. (a) INCREASE IX LIMITATIOX.-

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* 1. (1) DOLLAR LIMITATION.-Section l 79(h)(l) is
  2. amended by striking· "$500,000" and inserting· 3 "$1,000,000".

1. (2) REDUCTION IN LIMl'rArrroN .-Seetion
2. l 79(b)(2) is amended by striking "$2,000,000" and

6 inserting "$2,500,000".

1. (3) INFLATION AD.JUSTMENTS.-
2. (A) IN GENERAL.-Subparagraph (A) of
3. seetion 179(b)(6), as amended by seetion
4. 11002(d), is amended-
5. (i) hy striking "2015" and inserting 12 "2018"' and
6. (ii) in clause (ii), by striking "cal­
7. endar year 2014" and inserting "ealendar

15 year 2017".

1. **(B)** SPORT UTILITY VEHICLES.-Section
2. 179(b)(6) is amended-
3. (i) in subparagraph (A), by striking
4. ''paragraphs (1) and (2)'' and inserting
5. "paragraphs (1), (2), and (5)(A)", and
6. (ii) in subparagraph **(B),** hy inserting
7. "($100 in the ease of any inerease in the
8. amount under paragraph (5)**(A))"** after

24 "$10,000".

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* 1. (h) SECTION 179 PROPERTY TO INCLUDE QUALIFIED
  2. REAL PROPERTY.-
  3. (1) Ix GENERAL.-Subparagraph (B) of section
  4. l 79(d)(l) is amended to read as follows:
  5. "(B) which is-
  6. "(i) section 1245 property (as defined
  7. in sedion 1245(a)(3)), or
  8. "(ii) at the election of the taxpayer,
  9. qualified real property (as defined in sub-
  10. section (f)), and".
  11. (2) QUALIFIED REAL PROPERTY DEFINED.-
  12. Subsection (f) of section 179 is amended to read as
  13. follows:
  14. "(f) QUALIPIED REAL PHOPEHTY.-For purposes of
  15. this section, the term 'qualified real property' means-
  16. '' (1) any qualified improYement property de-
  17. scribed in section 168(e)(6), and
  18. "(2) any of the following improvements to non-
  19. residential real property placed in service after the
  20. date such property was first placed in service:
  21. "(A) Roofs.
  22. "(B) Heating, ventilation, and air-condi-
  23. tioning property.
  24. "(C) Fire protection and alarm systems.
  25. "(D) Security systems.".

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* + 1. (c) REPEAL OF EXCLUSION FOR CERTAIN PROP-
    2. ERTY.-The last sentenee of section 179(d)(l) is amended
    3. by inserting "(other than paragraph (2) thereof)" after
    4. "scetion 50(b)".
    5. (d) EFFECTIVE DATE.-The amendments made by
    6. this section shall apply to property placed in service m
    7. taxable years beg·inning· after Deeember 31, 2017.
    8. **SEC. 13102. MODIFICATIONS OF GROSS RECEIPTS TEST FOR**
    9. **USE OF CASH METHOD OF ACCOUNTING BY**
    10. **CORPORATIONS AND PARTNERSIDPS.**
    11. (a) l\IODIFICATIOXS OF GROSS RECEIPTS TEST.-
    12. (1) IN GENERAL.-So mneh of section 448(e)
    13. as precedes paragraph (2) is amended to read as fol-
    14. lows:
    15. "(c) GROSS RECEIPTS TEST.-
    16. "(l) IN GEXERAL.-A corporation or partner-
    17. ship meets the gToss receipts test of this subsection
    18. for any taxable year if the average annual gross re-
    19. eeipts of such entity for the :3-taxable-ycar period
    20. ending- ·with the taxable year which precedes such
    21. taxahlc year docs not exceed the applicahlc dollar
    22. limit.".
    23. (2) APPLICABLE DOLLAR LIMIT.-Subsection
    24. (e) of scetion 448 is amended by adding at the end
    25. the following new paragraph:

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* + - 1. "(4) APPLICABLE DOLLAR LIMIT.-
      2. "(A) Ix GE ERAL.-The applicablt.. dollar 3 limit is $15,000,000.

1. **"(B)** AD.Jl'Srl'ME rr 1 ,0H IXFLNl'IOX.-In
2. the case of any taxable year beginning after De-

6 cemhcr :n, 2018, the $15,000,000 amount

1. under subparagTaph (A) shall be increased by
2. an amount equal to-
3. "(i) such dollar amount, multiplied by
4. "(ii) the cost-of-liYing adjustment de-
5. termined under section 1 (f)(8) for the cal-
6. endar year in which the taxable year be-
7. gins, by substituting· 'calendar year 2017'
8. for 'calendar year 2016' in subparagraph
9. (A)(ii) thereof.
10. If any amount as increased under the preceding
11. sentence is not a multiple of $1,000, such
12. amount shall be rounded to the next lowest
13. multiple of $1,000.".
14. (8) CHANGE IX METHOD OF ACCOUNTING.-
15. Paragraph (7) of section 448(d) is amcndcd-
16. (A) by striking· "In the case of'' and all
17. that follows up to subparagraph (A) and insert-
18. ing: "If a taxpayer changes its method of ac-
19. counting because the taxpayer is prohibited

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1. from using the cash receipts and dishursement
2. method of accounting· by reason of subsection
3. (a) or is no longer prohibited from using such
4. method by reason of sm h subsection-'', and
5. **(B)** by inserting "and" at the end of sub-
6. paragraph (A), hy striking ", and" at the end
7. of snbparag;raph (B) and inserting a period,
8. and by striking subparagraph (C).
9. (4) COXF1 0I U II NG AMENDl\IEXT.-Paragraph (8)
10. of section 448(b) is amended to read as follows:
11. "(8) ENTITIES SATISFYIXG GROSS RECEIPTS
12. TEST.-Parag-raphs (1) and (2) of subsection (a)
13. shall not apply to any corporation or partnership for
14. any taxable year if such entity meets the gross re-
15. ceipts test of subsection (c) for the taxable year.".
16. **(h)** APPLICATION OF MODH-,ICATIOXS TO FARMING
17. CORPORATIOXS.-
18. (1) IN GENERAL.-Paragraph (1) of section
19. 447(d) is amended to read as follows:
20. "(1) IN GEXERAL.-A corporation meets the re-
21. quircmcnts of this suhscction for any taxable year
22. with respect to its gross receipts if the corporation
23. meets the gross receipts test of section 448(c) for
24. the taxable year.''.

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* 1. (2) FAMILY CORPORATIONS.-Paragraph (2) of
  2. section 447(d) is amPn<lt1<l-
  3. (A) by striking subparagraph (A) and m-
  4. serting the following:
  5. **"(A)** IN GENERAL.-In the case of a fam-
  6. ily corporation, in applying section 448(c) for
  7. purposes of paragraph (1 )-
  8. "(i) paragraph (1) of section 448(c)
  9. shall be applied by substituting the appli-
  10. cable family corporation limit for the appli-
  11. ca.hie dollar limit, and
  12. "(ii) the rules of subparagraph (B)
  13. shall apply in computing gross receipts.",
  14. (B) in subparagraph (B)(i), by striking
  15. ''the last sentence of paragraph (1)" and insert-
  16. ing "paragraph (2) of section 448(c)", and
  17. (C) by adding at the end the following new
  18. subparagraph:
  19. "(D) APPI,ICABLE FA:\IILY COHPOI{Nrrox
  20. LIMIT.-
  21. "(i) IN GE ERAL.-The applicahlc
  22. family corporation limit is $25,000,000.
  23. "(ii) ADJPSTMEXT FOR IXFLATION.-
  24. In the ease of any taxable year beginning

25 after December 81, 2018, the $25,000,000

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1. amount under clause (i) shall he increased
2. by an amount equal to-
3. " (I) such dollar amount, multi­
4. plied by
5. "(II) the cost-of-living adjust­
6. ment determined under section 1 (f) (8)
7. for the ealernlar year in which the tax­
8. able year begins, by substituting 'cal­
9. endar year 2017' for 'ealendar year
10. 2016' in subparagraph (A)(ii) thereof.
11. If any amount as increased under the pre­
12. ceding sentence is not a multiple of
13. $1,000, such amount shall be rounded to
14. the next lowest multiple of $1,000.".
15. *(: )* EXCEPTIOX FOR CERTAIX CORPORA-
16. TIONS.-Suhsection (c) of section 447 is amended hy
17. inserting "for any taxable year" after "not being; a
18. corporation".
19. (4) CHANGE IX :\1ErrIIOD OF' ACCOU ?rING.-
20. Section 447(f) is amended-
21. (A) hy striking "In the case of" and all
22. that follows up to paragTaph (1) and inserting
23. the following: '' If a taxpayer changes its method
24. of aeeounting beeause the taxpayer is required
25. to use an accrual method of accounting· by rea-

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1. son of suhscction (a) or is no longer required to
2. use such method by reason of such subsection­
3. "' and
4. (B) by striking paragraph (2) and insert­
5. ing the following:
6. "(2) such change shall he treated as initiated
7. by the taxpayer, and".
8. (c) EFFECT1'"'E DATE.-The amendments made by
9. this section shall apply to taxable years beginning after

10 December 31, 2017.

1. **SEC. 13103. CLARIFICATION OF INVENTORY ACCOUNTING**
2. **RULES FOR SMALL BUSINESSES.**
3. (a) CLARIFICATION OF lITT"'ENTORY RULES.-
4. (1) IN GENEIW.i.-Section 471 is amended by
5. redesignating subsection (c) as subsection (d) and by
6. inserting after suhscction (h) the following new suh-
7. section:
8. "(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED
9. TO USE lNYENTOIUES.-
10. "(1) Ix GE ERAL.-A qualified taxpayer shall
11. not he required to use inventories under this section
12. for a taxable year.
13. "(2) TREATMEXT OF TAXPAYERS NOT USING
14. INVENTORIES.-A qualified taxpayer who is not re-
15. quired under this subsection to use inventories with

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1. respect to any property for a taxable year beginning
2. after December 31, 2017, may treat such property-
3. **"(A)** as a non-incidental material or sup-
4. ply, or
5. '' (B) m a manner which conforms to the
6. taxpayer's method for accounting for such prop-
7. erty in-
8. "(i) an applicable financial statement
9. (as defined in seetion 451 (b) (3)), or
10. "(ii) in the case of a taxpayer that
11. docs not have an applicable financial state-
12. ment, their books and records used for
13. purposes of determining tax imposed by
14. this title.
15. "(:3) QrALIFIED TAXPAYER.-For purposes of
16. this subsection, tlw term 'qualified taxpayer' means,
17. with respect to any taxablP year, a taxpayer who
18. meets the gross receipts test of section 448(c) for
19. the taxable year (or, in the ease of a sole proprietor-
20. ship, who would meet such test if such proprietor-
21. ship were a corporation). Such term shall not in-
22. dude a tax shelter prohibited from using- the cash
23. receipts and disbursements method of accounting
24. under section 448(a)(8).

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* 1. "(4) COORDINATIOX 'WITH SECTION 481.-If' a
  2. taxpayer changes its method of accounting; because
  3. the taxpayer is not required to use inventories by
  4. reason of paragraph (**1)** or is required to use inven-
  5. tories because such paragraph no longer applies to
  6. the taxpayer-
  7. **"(A)** such change shall be treated as initi-
  8. ated by the taxpayer, and
  9. **"(B)** such change shall be treated as made
  10. with the consent of the Secretary.''.
  11. (2) CONFORMING AMEND:\1:EXT .-Subsection (c)
  12. of section 263A is amended by adding at the end the
  13. following new paragraph:
  14. " (8) EXCLUSION 11-,I W M INVEX'rOHY HULES.-
  15. Nothing in this section shall require the use of in-
  16. ventories for any taxable year by a qualified tax-
  17. payer (within the meaning of seetion 471(c)(3)) who
  18. is not required to use inventories under section 471
  19. for such taxable year.''.
  20. (b) EFFECTIVE DATE.-The amendments made by
  21. this section shall apply to taxable years beginning after

22 December 31, 2017.

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1. **SEC. 13104. MODIFICATION OF RULES FOR UNIFORM CAP-**
2. **ITALIZATION OF CERTAIN EXPENSES.**
3. (a) IN GENERAL.-Seetion 263A(b) is amended by
4. striking all that follows paragraph (1) and inserting the
5. folluwing new paragraphs:
6. "(2) PROPERTY ACQtTIRED FOR RESALE.-Real
7. or personal property described in section 1221 ( a) (**1)**
8. which is acquired by the taxpayer for resale.
9. "(3) EXCEPTION FOR SMALL BUSINESSES.-

IO This section shall not apply to any taxpayer who

1. meets the gross receipts test under section 448(c)
2. for the taxahle year (or, in the case of a sole propri-
3. etorship, who would meet such test if such propri-
4. etorship were a corporation), other than a tax shel-
5. tcr prohibited from using the cash receipts and dis-
6. bursements method of accounting under section 17 448(a)(3).
7. " (4) PII..MS, SOUND RECORDINGS, BOOKS,
8. ETC.-Por purposes of this subsection, the term
9. 'tangible 1wrsonal property' shall include a film,
10. sound recording·, video tape, book, or similar prop-
11. erty.
12. "(5) COORDINATIOX \VITH SECTION 481.-If a
13. taxpayer changes its method of accounting because
14. this section docs not apply to the taxpayer hy reason
15. of the exception under paragraph (3) or this section

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1. applies to the taxpayer because such exception 110
2. longer applies to the taxpayer-
3. "(A) such change shall be treated as initi-
4. ated by the taxpayer, and
5. **"(B)** such change shall be treated as made
6. with the consent of the Secretary.".
7. (L) EFFECTIVE DATE.-The amendments made by
8. this section shall apply to taxable years beginning after
9. Deeember :n, 2017.
10. **SEC. 13105. INCREASE IN GROSS RECEIPTS TEST FOR CON-**
11. **STRUCTION CONTRACT EXCEPTION TO PER-**
12. **CENTAGE OF COMPLETION METHOD.**
13. (a) lNCREASE.-
14. (1) IN GENERAL.-Seetion 460(c)(l)(B) 1s
15. amended-
16. (A) in the matter preceding clause (i), hy
17. inserting- '' (other than a tax shelter prohibited
18. from using the cash receipts and disbursements
19. method of aeeounting under scetion 448(a)(8))''
20. after ''taxpayer'', and
21. (B) hy striking clause (ii) and inserting the
22. following·:
23. "(ii) who meets the gross receipts test
24. of seetion 448(e) for the taxable year in
25. which such contract is entered into (or, in

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1. the case of a sole proprietorship, who
2. would meet such test if such proprietorship
3. were a corporation).".
4. **(2) CONI•,,OHMING AMENDMENTS.-**
5. **(A)** Section 460(e) is amended by striking
6. paragraphs (2) and (3) and hy rcdcsignating
7. paragraphs (4) through (6) as paragraphs (2)
8. through (4), respectively.
9. **(B)** 'rhe last sentence of section 5o(a)(3) is
10. amended by striking "section 460(e)(6)" and
11. inserting "section 460(e) (4)".
12. (L) COORDINATION WITH SECTION 481.-Section
13. 460(e), as amended by subsection (a), is amended by add-
14. ing at the end the folluwing:
15. "(5) COORDINATIOX W1TH SECTION 481.-If a
16. taxpayer changes its method of accounting hecause
17. subseetions (a), (b), (c)(l), and (c)(2) do not apply
18. by reason of the exception under paragraph (1) (B)
19. or sm h subseetions apply to the taxpayer because
20. such exception no longer applies to the taxpayer-
21. "(A) such change shall he treated as initi-
22. ated by the taxpayer,
23. "(B) such change shall be treated as made
24. with the consent of the Secretary, and

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* 1. "(C) such change shall he permitted only
  2. on a cut-off basis for all similarly classified con­
  3. tracts entered into on or after the year of
  4. change and no adjustments under seetion
  5. 48l(a) shall be made.".
  6. (c) EFFECTIVE DATE.-The amendment made hy
  7. this section shall apply to contracts entered into after De-
  8. cember 31, 2017, in taxable years ending after such date.
  9. PART III-COST RECOVERY AND ACCOUNTING
  10. **METHODS**
  11. **Subpart A-Cost Recovery**
  12. **SEC. 13201. TEMPORARY 100-PERCENT EXPENSING FOR**
  13. **CERTAIN BUSINESS ASSETS.**
  14. (a) INCREASED EXPENSING.-
  15. (1) IN GENERAL.-Section 168(k) lS amend-
  16. ed-
  17. (A) in paragraph (l)(A), by striking· "50
  18. percent" and inserting "the applicable percent-
  19. age", and
  20. (B) in paragTaph (5)(A)(i), by striking "50
  21. percent" and inserting "the applicahle percent-
  22. age".
  23. (2) APPLICABLE PERCENTAGE.-Paragraph (6)
  24. of section 168(k) is amended to read as follows:

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* + 1. "(6) APPLICABLE PERCENTAGE.-For purposes
    2. of this subseetion-
    3. "(A) IN GENERAL.-Except as otherwise
    4. provided in this paragraph, the term 'applicable
    5. percentage' means-
    6. '' (i) in the case of property placed in
    7. service after September 27, 2017, and be-
    8. fore January 1, 2023, 100 percent,
    9. "(ii) in the case of property placed in
    10. service after December n, 2022, and be-
    11. fore ,January 1, 2024, 80 percent,
    12. " (iii) in the ease of property placed in
    13. service after December 31, 2023, and be-
    14. fore ,January 1, 2025, 60 percent,
    15. ''(iY) in the case of property placed in
    16. service after December 31, 2024, and he-
    17. fore ,January 1, 2026, 40 percent, and
    18. '' (v) in the case of property placed in
    19. service after December 31, 2025, and be-
    20. fore January 1, 2027, 20 percent.
    21. **"(B)** RULE FOR PROPERTY WTTH LONGER
    22. PRODUCTION PERIODS.-In the ease of property
    23. described in paragraph (2)(B) or (C), the term
    24. 'applicable percentage' means-

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* + - 1. '' (i) in the case of property placed in
      2. service after September 27, 2017, and be­
      3. fore January 1, 2024, 100 percent,
      4. '' (ii) in the case of property placed in
      5. service after December 31, 2023, and be­
      6. fore ,January 1, 2025, 80 percent,
      7. "(iii) in the case of property placed in
      8. service after December 31, 2024, and be­
      9. fore ,January 1, 2026, 60 percent,
      10. "(iY) in the case of property placed in
      11. service after Dccernher 31, 2025, and he­
      12. fore ,January 1, 2027, 40 percent, and
      13. '' (v) in the case of property placed in
      14. service after December 31, 2026, and be­
      15. fore January 1, 2028, 20 percent.
      16. "(C) RULE FOR PLAl"'\'"TS BEARI G FRUITS
      17. AND XPTS.-In the case of a specified plant de­
      18. scribed in paragraph (5), the term 'applicable
      19. percentage' rneans-
      20. "(i) in the case of a plant which is
      21. planted or grafted after Septernher 27,
      22. 2017, and before January 1, 2023, 100
      23. percent,
      24. "(ii) m the case of a plant which is
      25. planted or grafted after December 31,

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1. 2022, and hefore January 1, 2024, 80 per-
2. cent,
3. '' (iii) in the case of a plant which is
4. planted or grafted after December 31,
5. 202:3, and before January 1, 2025, 60 per-
6. ce11t,
7. " (iY) in the case of a plant whid1 is
8. planted or grafted after December 31,
9. 2024, and before January 1, 2026, 40 per-
10. cent, and
11. "(v) in the case of a plant which is
12. planted or grafted after December 31,
13. 2025, and before January 1, 2027, 20 per-
14. eent.".
15. (8) CONFORl\IIXG Al\IEXD:\1EXT.-Paragraph (5)
16. of section l 68(k) is amended hy striking suhpara-
17. gTaph (F).
18. (b) EXTENSION.-
19. (1) Ix GEXEHAL.-Seetion 168(k) 1s amend-
20. ed-
21. (A) in paragraph (2)-
22. (i) in subparagraph (A)(iii), clauses
23. (i)(III) and (ii) of subparagraph (B), and
24. subparagraph (E)(i), by striking '\January

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1. 1, 2020" each place it appears and insert-
2. ing· "January 1, 2027", an<l
3. (ii) in subparagraph (B)-
4. (I) in clause (i)(II), by striking
5. "January 1, 2021" and inserting
6. '\January 1, 2028", and
7. (II) in the hea<ling of claust (ii),
8. by striking "PRE-.JAXUARY 1, 2020"
9. and inserting "Pim-.JANl!Alff 1, 2027",
10. and
11. (B) in paragraph (5)(A), hy striking '\Jan­
12. uary 1, 2020" an<l inserting· '\January 1,

13 2027".

1. (2) C ONF1OHl\1IN G AMENDl\lENrl'S.-
2. (A) Clause (ii) of section 460(c)(6)(B) 1s
3. amended hy striking '\January 1, 2020 ("Janu-
4. ary 1, 2021" an<l inserting "January 1, 2027

18 (January 1, 2028".

1. (B) rrhe heading of section 168(k) is
2. amended by striking "ACQCIRED AFTER DE- 21 CEMBER :31, 2007, A.."D BEFORE ,JA..'\'"UARY 1, 22 2020".
3. (c) EXCEPTIOX FOR PUBLIC UTILITIES.-Section
4. 1ti8(k) is amended by adding at the Pnd the following new
5. paragyaph:

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* 1. **"(8) EXCEPTION FOR CERTAIN PROPERTY.-**
  2. The term 'qualified property' shall not include any
  3. property which is primarily used in a trade or busi-
  4. ness deseribed m clause (iv) of seetion

5 16 3(j)(7)(A).".

1. (d) SPECIAL RULE.-Section 168(k), as amended hy
2. subsection (c), is amended by adding- at the end the fol-
3. lowing new paragraph:
4. "(9) SPECIAL HULE, 11 0 H PIWPEH'l'Y PLACED IN
5. SERVICE DURING CERTAIN PERIODS.-
6. "(A) IN GENERAL.-In the case of quali-
7. fied property placed in service by the taxpayer
8. during the first taxable year ending after Sep-
9. tember 27, 2017, if the taxpayer eleets to have
10. this paragraph apply for such taxable year,
11. paragraphs (l)(A) and (5)(A)(i) shall he ap-
12. plied by substituting· '50 percent' for 'the appli-
13. cable percentage'.
14. "(B) Ii-,ouM 01, 1 ELECTION.-Any election
15. under this paragraph shall be made at such
16. time and in such form and manner as the Sec-
17. retary may prescribe.''.
18. (e) COORDINATION WITH SECTION 280F.-Section
19. 168(k)(2)(F) is amended by striking clause (iii).

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* 1. (f) Q UALI F1 IE D FILM Al'\'"D TELEVISION A. D LIVE
  2. THEATRICAL PRODUCTIONS.-
  3. (1) IN GENERAL.-Clause (i) of section
  4. lo8(k)(2)(A), as amended by seetion 1:3204, is
  5. amended-
  6. (A) in subclause (II), by striking "or",
  7. (B) in subelause (III), by adding "or"
  8. after the comma, and
  9. (C) by adding at the end the following:
  10. "(IV) which is a qualified film or tele­
  11. vision production ( as defined in subsection
  12. (d) of seetion 181) for whieh a deduetion
  13. would have been allowable under section
  14. 181 without regard to subseetions (a)(2)
  15. and (g) of such section or this subsection,
  16. or
  17. "(V) which 1s a qualified live theat­
  18. rical production (as defined in subsection
  19. (e) of seetion 181) for whieh a deduetion
  20. would have been allowable under section
  21. 181 without regard to subsections (a)(2)
  22. and (g) of such section or this sub-

23 se.ct10n," .

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* + 1. (2) PRODUCTION PLACED IN SERYICE.-Para-
    2. graph (2) of section 168(k) is amended by adding at
    3. the end the following:
    4. "(II) PIWDUCrrION PLACED IN SElfflCE.-
    5. For purposes of subparagraph (A)-
    6. " (i) a qualified film or telmision pro-
    7. duetion shall be considered to be placed in
    8. service at the time of initial release or
    9. broadcast, and
    10. "(ii) a qualified live theatrical produc-
    11. tion shall he considered to he placed in
    12. serviee at the time of the initial live staged
    13. performance.".
    14. (g) EI•,I•,ECTIVE DNrEs.-The amendments made by
    15. this section shall apply to property placed in service, and
    16. specified plants planted or grafted after, after September
    17. 27, 2017, in taxable years ending; after sueh date.
    18. **SEC. 13202. MODIFICATIONS TO DEPRECIATION LIMITA-**
    19. **TIONS ON LUXURY AUTOMOBILES AND PER-**
    20. **SONAL USE PROPERTY.**
    21. (a) LUXURY AUTOMOBILES.-
    22. (1) IN GENERAL.-280F(a)(l)(A) is amended-
    23. (A) in clause (i), by striking "$2,560" and

24 inserting "$10,000",

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1. (B) in clause (ii), hy striking "$4,100"
2. and inserting "$16,000",
3. (C) in clause (iii), by striking "$2,450"
4. and inserting "$9,600", and
5. (D) in clause (iv), by striking "$1,475"
6. and inserting "$5,760".
7. (2) CONFORMING AMENDMENTS.-
8. (A) Clause (ii) of section 280F(a)(l)(B) is
9. amended by striking '' $1,475'' in the text and
10. heading and inserting "$5,760".
11. (B) Paragraph (7) of section 280F(d) 1s
12. amended-
13. (i) m subparagraph (A), by striking
14. "1988" and inserting "2018", and
15. (ii) in subparagraph (B)(i)(II), by
16. striking "1987" and inserting "2017".
17. (L) REMOYAL OF COMPlTTER EQPIPMENT FRO:.\!
18. LISTED PROPERTY.-
19. (1) IN GENEHAL.-Seetion 280F(d)(4)(A) 1s
20. amended-
21. (A) hy inserting "and" at the end of clause
22. (iii),
23. (B) by striking clause (iY), and
24. (C) by redesignating elause (Y) as elause

25 (iv).

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* 1. (2) CONFORMING Al\IENDMENT .-Section
  2. 280F(d)( 4) is amended by striking· subparag-raph
  3. (B) and by redesignating subparagraph (C) as sub-
  4. paragraph **(B).**
  5. (c) EFFECTIYE DATE.-The amendments made by
  6. this section shall apply to property placed in service after

7 December 31, 2017, in taxable years ending after such

1. date.
2. **SEC. 13203. MODIFICATIONS OF TREATMENT OF CERTAIN**
3. **FARM PROPERTY.**
4. (a) TREATMENT OF CERTAIN FARM PROPERTY AS 5-
5. YEAR PROPERTY.-Clause (vii) of section 168(e)(3)(B) is
6. amended by striking "after December 31, 2008, and which
7. is placed in service before ,January 1, 2010" and inserting
8. "after December 31, 2017".
9. (h) REPEAL OF REQUIRED USE OF 150-PERCENT
10. DECLINING BALANCE METHOD.-Section 168(b)(2) is
11. amended by striking subparagraph (B) and by redesig-
12. nating subparagraphs (C) and (D) as subparagraphs (B)
13. and (C), respectively.
14. (c) EFFECTIYE DATE.-The amendments made hy
15. this section shall apply to property placed in service after

23 December n, 2017, in taxable years ending after such

24 date.

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1. **SEC. 13204. APPLICABLE RECOVERY PERIOD FOR REAL**
2. **PROPERTY.**
3. (a) RESIDENTIAL REXTAL PROPERTY AND NONRESI-
4. DENTIAL REAL PROPERTY.-
5. **(1)** REDUCTIOX OF RECOYERY PERIOD.-Thc
6. table contained in section 168(c) is amended-
7. (A) hy str1'k'mg "·27.,h) years"
8. "25 years", and

am.I

mse.rtmg

1. (B) by striking "39 years" and inserting
2. "25 years".
3. (2) STATPTORY RECOVERY PERIOD.-The table
4. contained in section 467(e)(3)(A) is amended-
5. (A) by inserting· " (other than residential
6. rental property and nonresidential real prop-
7. crty)" after "15-ycar and 20-year property",
8. and
9. (B) hy striking "1 9 years" and inserting
10. "25 years".
11. (3) COXFORMING AMENDMENT.-Clause (ii) of
12. section 168(e)(2)(B) is amended hy striking "27.5
13. years" and inserting "25 years".
14. (b) l PROVEMENTS TO REAL PROPERTY.-
15. (1) CLASSIFICATION OF QUALIFIED IMPROVE-
16. MENT PROPERTY AS 10-YEAR PROPERTY.-Subpara-
17. graph (D) of section 168(e)(3) is amended-
18. (A) in clause (iii), by striking "and",

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1. (B) in clause (iv), hy striking the period
2. and inserting- ", and", and
3. (C) by adding at the end the following new
4. clause:
5. " (v) any qualified improvement prop-
6. erty descrihed in suhsection (c)(6).''.
7. (2) ELIMINATION OF QlTALIFIED LEASEHOLD
8. IMPROVEMENT, QUALIFIED RESTAURk T, AND
9. QUALIF,IED HETAIL IMPIWVEMEWl' PHOPEHTY.-Sub-
10. section (e) of section 168 is amended-
11. (A) in suhparagraph (E) of paragraph

#### 12 (3)-

13 (i) by striking clauses (iv), (v), and 14 (ix),

1. (ii) in clause (vii), by inserting "and"
2. at the end,
3. (iii) in elause (viii), by striking· "
4. and'' and inserting a period, and
5. (iv) by redesignating elauses (vi),

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#### 21

22

23 (8).

(vii), and (viii), as so amended, as clauses (iv), (v), and (vi), respectively, and

1. by striking paragraphs (6), (7), and

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* 1. **(3) APPLICATION OF STRAIGHT LINE METHOD**
  2. TO QUALIFIED IMPROY'EMENT PROPERTY.-Para-
  3. graph (3) of section 168(b) is amended-
  4. (A) by striking subparagraphs (G), (II),
  5. and (I), and
  6. **(B)** hy inserting aner suhparagraph (F)
  7. the following new subparagTaph:
  8. " (G) Qualified improvement property de-
  9. scribed in subsection (e) (6).''.
  10. (4) ALTERNATIYE DEPRECIATION SYSTEM.-
  11. (A) ELECTING REAL PROPERTY TRADE OR
  12. BUSINESS.-Subsection (g-) of section 168 is
  13. amended-
  14. (i) in paragraph (1)-
  15. (I) in subparagraph (D), by
  16. striking "and" at the end,
  17. (II) in subparagraph (E), by in-
  18. serting "and" at the end, and
  19. (III) by inserting after subpara-
  20. graph (E) the following new subpara-
  21. graph:
  22. "(F) any property dest ribed in paragTaph

23 (8),", and

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

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* 1. " (8) ELECTING REAL PROPERTY TRADE OR
  2. BUSINESS.-The property described in this para-
  3. graph shall consist of any nonresidential real prop-
  4. erty, residential rental property, and qualified im-
  5. provement property held by an electing real property
  6. trade or business ( as defined in 163(j)( 7)(B)).".
  7. **(B) QUALIFIED IMPROVEMENT PROP-**
  8. ERTY.-The table contained in subparagraph
  9. (B) of section 168(g)(:3) is amended-
  10. (i) by inserting after the item relating
  11. to subparagraph **(D)(ii)** the following new
  12. item:

**"(D)(Y)** .........................................................................................

* 1. , and

20".

* 1. (ii) by striking the item relating to
  2. subparagraph (E)(iv) and all that follows
  3. through the item relating to subparagraph
  4. (E)(ix) and inserting the following:

**"(E)(iv)** ........................................................................................

(E)(Y) ...........................................................................................

**(E)(Yi)** ..........................................................................................

20

30

35".

* 1. (C) APPLICABLE RECOVERY PERIOD FOR
  2. RESIDEXTIAL RENTAL PROPERTY.-The table
  3. contained m subparagraph (C) of section
  4. 168(g·)(2) is amended by striking· clauses (iii)
  5. and (iY) and inserting the following:

"(iii) Residential rental property ................................................. 30 years

(iv) Nonresidential real propert · ................................................. 40 ·ears

(v) Any railroad grading or tunnel bore or water utilit · prop-

ert · ........................................................................................... 50 ·ears''.

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1. **(5) CONPORMI G AMENDMENTS.-**
2. (A) Clause (i) of section 168(k)(2)(A) 1s
3. amended-
4. (i) in subelause (II), by inserting "or"
5. after the comma,
6. (ii) in suhclause (III), hy striking
7. "or" at the end, and
8. (iii) by striking subclause (IV).
9. **(B)** Section 168 is amended-
10. (i) in subsection (e), as amended by
11. paragraph **(2)(B),** hy adding at the end
12. the following:
13. **"(6) QUALIFIED e\1PROYIDIENT PROPERTY.-**
14. **"(A) IN** GENEIW .-Thc term 'qualified
15. improvement property' means any improYement
16. to an interior portion of a huilding which is
17. nonresidential real property if such improve­
18. ment is placed in service after the date such
19. building was first placed in service.
20. **"(B) CERTAIN Il\1PROYE1\1ENTS NOT IN­**
21. CLUDED.-Such term shall not includP any im­
22. provement for which the expenditure is attrib­
23. utable to-
24. "(i) the enlargement of the building,
25. "(ii) any elevator or escalator, or

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1. "(iii) the internal structural frame-
2. work of the building.".
3. (ii) in subsection (k), by striking
4. paragraph (3).
5. (c) EFFECTIVE DATE.-
6. (1) IN GENERAL.-Exccpt as proYidcd in para-
7. gTaph (2), the amendments made by this seetion
8. shall apply to property placed in service after De-

9 eembcr 31, 2017.

1. (2) AMENDMENTS RELATED TO ELECTING
2. REAL PROPERTY TRADE OR RCSINESS.-Thc amcnd-
3. ments made by subseetion (b) (4)(A) shall apply to
4. taxable years beginning after December 31, 201 7.
5. **SEC. 13205. USE OF ALTERNATIVE DEPRECIATION SYSTEM**
6. **FOR ELECTING FARMING BUSINESSES.**
7. (a) IN GENERAL.-Scction 168(g)(l), as amended hy
8. section 13204, is amended by striking "and" at the end
9. of subparagraph (E), by inserting "and" at the end of
10. subparagraph CB-,), and by inserting after subparagraph
11. (I -,) the following new subparagraph:
12. " (G) any property with a recovery period
13. of 10 years or more whieh is held by an eleeting
14. farming business (as defined m section

24 16 3(i )(7)(C)),'' .

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* 1. (h) EFFECTIVE DATE.-The amendments made hy
  2. this section shall apply to taxable years beg-inning- after 3 December 31, 2017.

1. **SEC. 13206. AMORTIZATION OF RESEARCH AND EXPERI-**
2. **MENTAL EXPENDITURES.**
3. (a) IN GENERAL.-Section 174 is amended to read
4. as follows:
5. **"SEC. 174. AMORTIZATION OF RESEARCH AND EXPERI-**
6. **MENTAL EXPENDITURES.**
7. "(a) IN GENERAL.-In the case of a taxpayer's speci-
8. fied research or experimental expenditures for any taxable
9. year-
10. "(1) except as prmi.ded in paragraph (2), no
11. deduction shall be allowed for such expenditures,
12. and
13. '' (2) the taxpayer shall-
14. "(A) charge such expenditures to capital
15. account, and
16. "(B) be allowed an amortization deduction
17. of such expenditures ratably over the 5-year pe-
18. riod (15-year period in the case of any specified
19. research or experimental expenditures which are
20. attributable to foreign research (within the
21. meaning of section 41(d)(4)(F))) beginning

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1. with the midpoint of the taxable year in which
2. ::mch expenditures are paid or incurred.
3. "(b) SPECIFIED RESEARCH OR EXPERIMENTAL Ex-
4. PENDITUHES.-For purposes of this section, the term
5. 'specified research or experimental expenditures' means,
6. ,vith respect to any taxable year, research or experimental
7. expenditures which are paid or incurred by the taxpayer
8. during such taxable year in connection with the taxpayer's
9. trade or business.
10. "(c) SPECIAL RULES.-
11. **"(1)** LAND AND OTHER PROPERTY.-This sec-
12. tion shall not apply to any expenditure for the acqui-
13. sition or improvement of land, or for the acquisition
14. or improvement of property to be used in connection
15. with the research or experimentation and of a char-
16. acter which is subject to the allowance under section
17. 167 (relating- to allowance for depreciation, ete.) or
18. section 611 (relating to allowance for depletion); but
19. for purposes of this section allowances under section
20. 167, and allowances under section 611, shall be con-
21. sidered as expenditures.
22. "(2) EXPLORATION EXPENDITPRES.-This sec-
23. tion shall not apply to any expenditure paid or in-
24. curred for the purpose of ascertaining the existence,

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1. location, extent, or quality of any deposit of ore or
2. other mineral (indnding oil and gas).
3. "(3) SOFTWARE DEVELOPMENT.-For purposes
4. of this section, any amount paid or incurred in con-
5. nection with the deYelopment of any software shall
6. he treated as a research or experimental expendi-
7. ture.
8. "(d) TREATMENT UPOX DISPOSITION, RETIREMENT,
9. OH ABANDONMENT.-If any property with respect to
10. which specified research or experimental expenditures are
11. paid or incurred is disposed, retired, or abandoned during
12. the period during· which such expenditures are allowed as
13. an amortization deduction under this section, no deduction
14. shall be allowed with respect to such expenditures on ac-
15. count of such disposition, retirement, or abandonment and
16. such amortization deduction shall continue with respect to
17. such expenditures.".
18. (b) CHANGE IN METHOD OF ACCOFNTING.-The
19. amendments made by subsection (a) shall be treated as
20. a change in method of accounting for purposes of section
21. 481 of the Internal Revenue Code of 1 86 and-
22. (1) such change shall be treated as initiated by
23. the taxpayer,
24. (2) such change shall be treated as made with
25. the consent of the Secretary, and

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* 1. (:3) such change shall he applied only on a cut-
  2. off basis for any research or experimental expendi-
  3. tures paid or incurred in taxable years beginning
  4. after December :n, 2025, and no ac\iustments under
  5. section 481(a) shall be made.
  6. (c) CLERICAL AfIENDl\1EXT .-The tahle of sections
  7. for part VI of subchapter B of chapter 1 is amended by
  8. striking the item relating to section 174 and inserting the
  9. following new item:

"Sec. 174. Amortization of research anrl e::q)erimental expenditures.".

* 1. (d) CONFORMING AMENDMENTS.-
  2. (1) S'ection 41(d)(l)(A) is amended by striking
  3. "expenses under section 17 4" and inserting; "speci-
  4. fied research or experimental expenditures under
  5. section 17 4".
  6. (2) Subsection (c) of section 280C 1s amend-
  7. ed-
  8. (A) by striking· paragTaph (1) and insert-
  9. ing the following:
  10. **"(1) IN** GENERAL.-If-
  11. '' (A) the amount of the credit determined
  12. for the taxable year under section 41(a)(l), ex-
  13. ceeds
  14. "(B) the amount allowable as a deduction
  15. for such taxable year for qualified research ex-
  16. penses or basic research expenses,

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* + 1. the amount chargeable to capital account for the
    2. taxable year for such expenses shall be reduced by
    3. the amount of such excess.",
    4. (**B)** by striking paragraph (2),
    5. (C)- by redesignating paragraphs (3) (as
    6. amended hy this Act) and (4) as paragraphs (2)
    7. and (3), respeetively, and
    8. **(D)** in paragraph (2), as redesignated by
    9. subparagraph (C), by striking "paragraphs (1)
    10. and (2)" and inserting "paragraph (1)".
    11. (e) EFFECTIVE DATE.-Thc amendments made hy
    12. this section shall apply to amounts paid or incurred in tax-
    13. able years beginning after December 31, 2025.
    14. **SEC. 13207. EXPENSING OF CERTAIN COSTS OF REPLANT-**
    15. **ING CITRUS PLANTS LOST BY REASON OF**
    16. **CASUALTY.**
    17. (a) IN GENERAL.-Section 263A(d)(2) is amended
    18. by adding at the end the following new subparagraph:
    19. "(C) SPECL\L TEMPOHAlff RULE 1 -,0R err-
    20. RUS PLANTS LOST BY REASON OF CASVALTY.-
    21. " (i) IN GENERAL.-In the case of the
    22. replanting of citrus plants, subparagraph
    23. (A) shall apply to amounts paid or in­
    24. curred by a person (other than the tax­
    25. payer described in subparagraph (A)) if-

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* + - 1. '' (I) the taxpayer described in
      2. subparag-raph (A) has an equity inter-
      3. est of not less than 50 percent in the
      4. replanted citrus plants at all times
      5. during the taxable year in which such
      6. amounts were paid or incurred and
      7. such other person holds any part of
      8. the remaining equity interest, or
      9. "(II) such other person acquired
      10. the entirety of such taxpayer's equity
      11. interest in the land on which the lost
      12. or damaged citrus plants were located
      13. at the time of such loss or damage,
      14. and the replanting· is on such land.
      15. "(ii) TERMINATION.-Clause (i) shall
      16. not apply to any cost paid or incurred
      17. after the date which is 10 years after the
      18. date of the enactment of the Tax Cuts and
      19. ,Jobs Act.".
      20. (b) EFFECTIVE DATE.-The amendment made by
      21. this section shall apply to costs paid or incurred after the
      22. date of the enactment of this Act.

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* + - * 1. **Subpart B-Accounting Methods**
        2. **SEC. 13221. CERTAIN SPECIAL RULES FOR TAXABLE YEAR**
        3. **OF INCLUSION.**
        4. (a) INCLUSION NOT LATER THAN FOR FINANCIAL
        5. ACCOUNTING PURPOSES.-Section 451 is amended by re-
        6. designating subsections (b) through (i) as subsections (c)
        7. through (i), respectiw ly, and by inserting after subsection
        8. (a) the following new subsection:
        9. "(b) INCLUSION NOT LATER THAN FOR FIXA..l\1"CIAL
        10. ACCOUNTING PL'RPOSES.-
        11. "(1) INCOME TAKEN INTO ACCOUNT IN FINA..,-
        12. CIAL STATEMENT.-
        13. "(A) IN GENERAL.-In the case of a tax-
        14. payer the taxable income of which is computed
        15. under an accrual method of accounting, the all
        16. events test ,vith respect to any item of gross in-
        17. come (or portion thereof) shall not be treated as
        18. met any later than when such item (or portion
        19. thereof) is taken into account as revenue in-
        20. "(i) an applicable financial statement
        21. of the taxpayer, or
        22. "(ii) such other financial statement as
        23. the Secretary may specify for purposes of
        24. this subsection.
        25. **"(B)** EXCEPTION.-This paragraph shall
        26. not apply to-

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"(i) a taxpayer which does not have a

financial statement described in clause (i)

or (ii) of subparagraph (A) for a taxable

year, or

"(ii) any item of gross income in con-

nection with a mortgage servicing contract.

"(C) ALL R\ NTS TEST.-For purposes of

this section, the all events test is met ·with re-

spect to any item of gross income if all the

events have occurred which fix the right to re-

ccive such income and the amount of such in-

come can be determined with reasonable accu-

racy.

**"(2) COOHDINArrION wrrII SPECIAL METHODS**

OF ACCOUNTING.-Paragraph (1) shall not apply

with respect to any item of gross income for which

the taxpayer uses a special method of ac( mmting-

provided under any other provision of this chapter,

other than any provision of part V of subchapter **P**

(except as provided in clause (ii) of paragraph

**21 (l)(B)).**

1. "(3) APPLICABLE FINANCIAL STATEMEXT.-
2. For purposes of this subsection, the term 'applicable
3. financial statement' means-

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* 1. **"(A)** a financial statement which is cer-
  2. tified as being· prepared in aeeordanee with gen­
  3. erally accepted accounting principles and which

4 **1S-**

1. "(i) a **10-K** (or successor form), or
2. annual statement to shareholders, required
3. to be filed by the taxpayer with the United
4. States Securities and Exchange Commis-

9 s10n,

1. "(ii) an audited financial statement of
2. the taxpayer which is used for-
3. "(I) credit purposes,
4. '' (II) reporting to shareholders,
5. partners, or other proprietors, or to
6. beneficiaries, or
7. "(III) any other suhstantial
8. nontax purpose,
9. but only if there is no statement of the
10. taxpayer deseribed in elause (i), or
11. '' (iii) filed by the taxpayer with any
12. other Federal agency for purposes other
13. than Federal tax purposes, but only if
14. there is no statement of the taxpayer de­
15. seribed in elause (i) or (ii),

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1. **"(B)** a financial statement which is made
2. on the basis of international financial reporting
3. standards and is filed by the taxpayer with an
4. agency of a foreign government which is equiva-
5. lent to the United States Securities and Ex-
6. change Commission and which has reporting
7. standards not less stringent than the standards
8. required by such Commission, but only if there
9. is no statement of the taxpayer described in
10. subparagraph (A), or
11. "(C) a financial statement filed hy the tax-
12. payer with any other regulatory or govern-
13. mental body specified by the Secretary, but only
14. if there is no statement of the taxpayer de-
15. scribed in subparagraph (A) or (B).
16. "( 4) ALLOCATION OF TRANSACTION PRICE.-
17. For purposes of this subsection, in the case of a con-
18. tract which contains multiple performance obliga-
19. tions, the allocation of the transaction price to each
20. performance obligation shall be equal to the amount
21. allocated to each performance obligation for pur-
22. poses of induding such item in revenue in the appli-
23. cable financial statement of the taxpayer.
24. " (5) GROL'P OF ENTITIES.-For purposes of
25. paragraph (1), if the financial results of a taxpayer

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1. arc reported on the applicable financial statement
2. (as defined in paragraph (3)) for a gToup of entities,
3. such statement may be treated as the applicable fi-
4. nancial statement of the taxpayer.".
5. (b) TREATMENT OF ADVANCE PAYMENTS.-Section
6. 451, as amended by subsection (a), is amended by redesig-
7. nating· subsections (c) through (j) as subsections (d)
8. through (k), respectively, and by inserting after subsection
9. (b) the following new subsection:
10. "(c) TREATMENT OF ADVAXCE PAYMENTS.-
11. " (1) IN GENERAL.-A taxpayer which computes
12. taxable income under the accrual method of account-
13. ing, and receives any adYance payment during the
14. taxable year, shall-
15. "(A) except as provided in subparagraph
16. (B), include such advance payment in gross in-
17. come for such taxable year, or
18. "(B) if the taxpayer elects the application
19. of this subparagraph with respect to the cat-
20. egory of advance payments to which such ad-
21. vancc payment belongs, the taxpayer shall-
22. "(i) to the extent that any portion of
23. such advance payment is required under
24. subsection (b) to be included in gross in-
25. come in the taxable year in which such

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1. payment 1s received, so include such por-
2. tion, and
3. "(ii) include the remaining portion of
4. such advance payment in gross income in
5. the taxable year following the taxable year
6. in which such payment is received.
7. "(2) ELECTION.-
8. "(A) IN GENERAL.-Except as otherwise
9. provided in this paragraph, the election under
10. paragraph (l)(B) shall be made at such time,
11. in such form and manner, and with respect to
12. such categories of advance payments, as the
13. Secretary may provide.
14. "(B) PEHIOD 'l'O WIIICII ELEC'l'IOX AP-
15. PLIES.-An election under paragraph (l)(B)
16. shall he effective for the taxable year with re-
17. spect to which it is first made and for all subse-
18. quent taxable years, unless the taxpayer secures
19. the consent of the Secretary to revoke such
20. election. For purposes of this title, the com-
21. putation of taxable income under an election
22. made under paragraph (l)(B) shall be treated
23. as a method of accounting.
24. "(8) T1.AXPAYERS CEASING TO EXIST.-Except
25. as otherwise provided by the Secretary, the election

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1. under paragraph (1) (B) shall not apply with respect
2. to advance payments received by the taxpayer during-
3. a taxable year if such taxpayer ceases to exist during
4. (or with the close of) such taxable year.
5. "(4) ADVAXCE PAYMENT.-For purposes of this
6. subsection-
7. **"(A) Ix** GENERAL.-The term 'advance
8. payment' means any payment-
9. "(i) the full inelusion of which in the
10. gross income of the taxpayer for the tax­
11. able year of receipt is a permissible method
12. of accounting; under this section (deter­
13. mined without regard to this subsection),
14. "(ii) any portion of which is included
15. m reYenue by the taxpayer in a financial
16. statement described in clause (i) or (ii) of
17. subsection (b)(1) (A) for a subsequent tax­
18. able year, and
19. "(iii) which is for goods, servwes, or
20. such other items as may be identified by
21. the Secretary for purposes of this clause.
22. **"(B)** EXCLUSIONS.-Except as otherwise
23. provided by the Secretary, such term shall not
24. ineludc-
25. "(i) rent,

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23 (c)

''(ii) insurance premiums governed by subehapter L,

"(iii) payments with respect to finan­ eial instruments,

"(iY) payments with respect to war­ ranty or guarantee contracts under which a third party is the primary oLlig;or,

"(v) payments subject to section 871(a), 881, 1441, or 1442,

" (vi) payments in property to which section 8:3 applies, and

"(vii) any other payment identified by the Secretary for purposes of this subpara­ g-raph.

"(C) RECEIPT.-For purposes of this sub­ section, an item of gross income is received by the taxpayer if it is aetually or constructively received, or if it is due and payable to the tax­ payer.

"(D) ALLOCATIOX OF TRANSACTION

PRICE.-:B..,or purposes of this subsection, rules similar to subset tion (b) (4) shall apply.''.

E ,,FECTIYE DATE.-The amendments made by

24 this section shall apply to taxable years beginning after

25 December 31, 2017.

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1. (d) COORDINATION \\TITH SECTION 481.-
2. (1) IN GENERAL.-ln the case of any qualified
3. change in method of accounting for the taxpayer's
4. first taxable year beginning after Deeember :31,

#### 5 2017-

1. (A) such change shall he treated as initi-
2. ated by the taxpayer, and
3. (B) such change shall be treated as made
4. with the consent of the Set retary of the Treas-
5. ury.
6. (2) QUALIFIED CHA.i. GE IN METHOD OF AC-
7. COUNTI G.-:B...,or purposes of this subsection, the
8. term "qualified change in method of accounting"
9. means any change in method of aeeounting whieh-
10. (A) is required by the amendments made
11. hy this section, or
12. (B) was prohibited under the Internal Rev-
13. enue Code of 1986 prior to such amendments
14. and is permitted under sueh Code after such
15. amendments.
16. (e) SPECIAL RULES FOR ORIGINAL ISSUE DIS-
17. COFNT.-Notwithstanding subseetion (c), in the ease of
18. income from a debt instrument haying original issue dis-
19. count-

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* 1. (1) the amendments made by this section shall
  2. apply to taxable years beg·inning· after December 31, 3 2018, and

1. (2) the period for taking into account any ad-
2. justments under section 481 by reason of a qualified
3. change in method of accounting (as defined in sub-
4. section (d)) shall be 6 years.
5. PART IV-BUSINESS-RELATED EXCLUSIONS AND
6. **DEDUCTIONS**
7. **SEC. 13301. LIMITATION ON DEDUCTION FOR INTEREST.**
8. (a) IN GENERAL.-Section 163(j) is amended to read
9. as follows:
10. "(j) LIMITATIOX ON BUSIXESS lNTEREST.-
11. "(l) IN GENEIW"'.-The amount allowed as a
12. deduction under this chapter for any taxable year
13. for business interest shall not exceed the sum of-
14. "(A) the business interest income of such
15. taxpayer for such taxable year, plus
16. "(B) 30 percent of the adjusted taxable in-
17. come of such taxpayer for such taxable year.
18. The amount determined under subparagraph (B)
19. shall not be less than zero.
20. "(2) CARRYFORWARD OF DISALLOWED BUSI-
21. NESS INTEREST.-The amount of any business in-
22. terest not allowed as a deduction for any taxable

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1. year hy reason of paragraph (1) shall he treated as
2. business interest paid or accrued in the succeeding
3. taxable year.
4. **"(8) EXEl\IP'rION 1 ,,0R CEWrAIX SMALL BUSl-**
5. NESSES.-In the case of any taxpayer (other than a
6. tax shelter prohihited from using the cash receipts
7. and disbursements method of accounting under sec-
8. tion 448(a)(8)) which meets the gross receipts test
9. of section 448(c) for any taxable year, paragraph (1)
10. shall not apply to such taxpayer for such taxable
11. year. In the case of any taxpayer which is not a cor-
12. poration or a partnership, the gross receipts test of
13. section 448(c) shall be applied in the same manner
14. as if sueh taxpayer were a corporation or partner-
15. ship.
16. "(4) APPLICATION TO PARTNERSHIPS, ETC.-
17. "(A) IN GENERAL.-In the case of any
18. partnership-
19. "(i) this subsection shall be applied at
20. the partnership leYel and any deduction for
21. husiness interest shall he taken into ac-
22. count in determining the non-separately
23. stated taxable income or loss of the part-
24. nership, and

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* 1. " (ii) the adjusted taxable income of
  2. each partner of such partnership-
  3. "(I) shall be determined without
  4. regard to such partner's distributive
  5. share of any items of income, gain,
  6. deduction, or loss of such partnership,
  7. an<l
  8. "(II) shall be increased by such
  9. partner's distributive share of such
  10. partnership's excess taxable income.
  11. For purposes of clause (ii) (II), a partner's
  12. distributive share of partnership excess
  13. taxable income shall be determined in the
  14. same manner as the partner's distributive
  15. share of nonseparately stated taxable m­
  16. come or loss of the partnership.
  17. "(B) SPECIAL RULES **FOR**
  18. **CARRYFORWARDS.-**
  19. " (i) IN GENEHAL.-The amount of
  20. any business interest not allowed as a de­
  21. duction to a partnership for any taxable
  22. year by reason of paragraph (1) for any
  23. taxable year-
  24. "(I) shall not be treated under
  25. paragraph (2) as business interest

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1. paid or accrued hy the partnership in
2. the succeeding· taxable year, and
3. "(II) shall, subject to clause (ii),
4. be treated as excess business interest
5. which is allocated to each partner in
6. the same manner as the non-sepa­
7. ra tely stated taxable income or loss of
8. the partnership.
9. "(ii) THENL.\1EWr OF' EXCESS BUSI­
10. NESS INTEREST ALLOCATED TO PART­
11. NERS.-If a partner is allocated any excess
12. business interest from a partnership under
13. clause (i) for any taxable year-
14. "(I) such excess business interest
15. shall be treated as business interest
16. paid or accrued hy the partner in the
17. next succeeding taxable year in which
18. the partner is allocated excess taxable
19. income from such partnership, but
20. only to the extent of such excess tax­
21. able income, and
22. "(II) any portion of such excess
23. business interest remaining after the
24. application of subdause (I) shall, sub­
25. ject to the limitations of subclause (I),

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1. he treated as business interest paid or
2. accrued in succeeding- taxable years.
3. For purposes of applying this paragraph,
4. excess taxable income allocated to a part­
5. ner from a partnership for any taxable
6. year shall not he taken into account under
7. paragraph (l)(A) with respect to any busi­
8. ness interest other than excess business in­
9. terest from the partnership until all such
10. excess business interest for such taxable
11. year and all preceding taxable years has
12. been treated as paid or accrued under
13. clause (ii).
14. "(iii) BASIS AD.Jl;'Srrl\1EN'rS.-
15. " (I) IN GENERAL.-The adjusted
16. basis of a partner in a partnership in­
17. terest shall be reduced (but not below
18. zero) by the amount of excess busi­
19. ness interest allocated to the partner
20. under clause (i)(II).
21. "(II) SPECIAL RULE FOR DIS­
22. POSITIONS.-If a partner disposes of
23. a partnership interest, the adjusted
24. basis of the partner in the partnership
25. interest shall be increased immediately

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1. hefore the disposition hy the amount
2. of the ext ess (if any) of the amount of
3. the basis reduction under subclause
4. (I) over the portion of any excess
5. business interest allocated to the part­
6. ner under clause (i)(II) which has pre­
7. viously Leen treated under clause (ii)
8. as business interest paid or accrued
9. by the partner. The preceding sen­
10. tence shall also apply to transfers of
11. the partnership interest (including hy
12. reason of death) in a transaction in
13. which gain is not recognized in whole
14. or in part. No deduction shall be al­
15. lowed to the transferor or transferee
16. under this chapter for any excess
17. business interest resulting in a basis
18. increase under this subclause.
19. "(C) EXCESS TA..\_XABLE I CO rn.-The
20. term 'excess taxable income' means, with re­
21. spect to any partnership, the amount which
22. bears the same ratio to the partnership's ad­
23. justed taxable income as-
24. " (i) thP excess (if any) of-

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* 1. '' (I) the amount determined for
  2. the partnership under paragraph
  3. (l)(B), over
  4. "(II) the amount (if any) by
  5. which the business interest of the
  6. partnership exceeds thP business in-
  7. terest income of the partnership,
  8. bears to
  9. "(ii) the amount determined for the
  10. partnership under paragraph (**1)(B).**
  11. "(D) APPLIC'ATIO TO S CORPORATIONS.-
  12. Rules similar to the rules of subparagraphs (A)
  13. and (C) shall apply with respect to any S cor-
  14. poration and its shareholders.
  15. '((5) BeSINESS INTEREST.-For purposes of
  16. this subsection, the term 'business interest' means
  17. any interest paid or accrued on indebtedness prop-
  18. erly allocable to a trade or business. Such term shall
  19. not include inYcstrnent interest (within the meaning
  20. of subsection (d)).
  21. "(6) RCSINESS IXTEREST INCOME.-For pur-
  22. poses of this subsection, the term 'business interest
  23. income' means the amount of interest includible in
  24. the gross income of the taxpayer for the taxable year
  25. which is properly allocable to a trade or business.

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1. Such term shall not include investment mcome
2. (within the meaning· of subsection (d)).
3. "(7) TRADE OR BrSIXESS.-\_F,or purposes of
4. this subseetion-
5. **"(A) IN** GENERAL.-The term 'trade or
6. business' shall not include-
7. "(i) the trade or business of per-
8. forming services as an employee,
9. "(ii) any electing real property trade
10. or business,
11. ''(iii) any electing farming husiness,
12. or
13. '' (iY) the trade or business of the fur-
14. nishing or sale of-
15. "(I) electrical energy, water, or
16. sewage disposal scryices,
17. " (II) gas or steam through a
18. local distribution system, or
19. "(III) transportation of gas or
20. steam by pipeline,
21. if the rates for such furnishing or sale, as
22. the case may be, haYe been established or
23. approved by a State or political subdivision
24. thereof, by any agency or instrumentality
25. of the United States, by a public service or

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1. public utility commission or other similar
2. body of any State or politieal subdivision
3. thereof, or by the governing or ratemaking
4. body of an eleetrie eooperative.
5. **"(B) ELECTING REAL PROPERTY TRADE**
6. OR BUSINESS.-For purposes of this paragraph,
7. the term 'electing real property trade or busi­
8. ness' means any trade or business which is de­
9. seribed in seetion 469(e)(7)(C) and whieh
10. makes an election under this subparagraph.
11. Any such election shall he made at such time
12. and in sueh manner as the Secretary shall pre­
13. scribe, and, once made, shall be irrevocable.
14. " (**C) ELECrrING 1 .,AHMIXG BUSINESS.-For**
15. purposes of this paragraph, the term 'electing
16. farming husiuess' means-
17. ''(i) a farming business (as defined in
18. section 263A(e)(4)) which makes an elec­
19. tion under this subparagraph, or
20. '' (ii) any trade or business of a speci­
21. fied agricultural or horticultural coopera­
22. tiYe (as defined in section 199A(g)(2))
23. with respect to which the cooperative
24. makes an eleetion under this subpara­
25. graph.

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* 1. Any such election shall he made at such time
  2. and in sueh manner as the Secretary shall pre-
  3. scribe, and, once made, shall be irrevocable.
  4. **"(8) AD.JUSTED rrAXABLE INCOME.-For pur-**
  5. poses of this subsection, the term 'adjusted taxable
  6. income' means the taxable income of the taxpayer-
  7. **"(A)** eornpute<l without reg·ar<l to-
  8. "(i) any item of income, gain, deduc-
  9. tion, or loss whieh is not properly alloeable
  10. to a trade or business,
  11. '' (ii) any business interest or business
  12. interest ineorne,
  13. "(iii) the amount of any net operating
  14. loss deduetion under seetion **1**72, and
  15. "(iY) the amount of any deduction al-
  16. lowed under section 199 or 199A, and
  17. "(B) computed with s ch other adjust-
  18. ments as provided by the Secretary.
  19. "(9) C1wss HEl ,,EHENCES.-
  20. "(A) For requirement that an electing real
  21. property trade or business use the alternatiw
  22. <lepreeiation system, see seetion 168(g')(l)(F).
  23. "(B) For requirement that an electing
  24. farming business use the alternative dcprceia-
  25. tion system, see section 168(g)(l)(G).".

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* + 1. (h) TREATMENT OF CARRYFORWARD OF DIS-
    2. ALLOWED BUSINESS INTEREST IN CERTAIN CORPORATE
    3. ACQUISITIONS.-
    4. (1) IN GENEHAL.-Section 38l(c) is amended
    5. by inserting after paragraph (19) the following new
    6. paragraph:
    7. "(20) CARRYFORWARD OF DISALLOWED BUSI-
    8. NESS INTEREST.-The carryover of disallowed busi-
    9. ness interest described in section 163(i) (2) to tax-
    10. able years ending after the date of distribution or
    11. transfer.''.
    12. (2) APPLICATION OF LIMITATIOX.-Section
    13. 382(d) is amended by adding at the end the fol-
    14. lowing new paragraph:
    15. "(:3) APPLICATION TO CARRYFORWARD OF DIS-
    16. ALLOWED INTEREST.-The term 'pre-change loss'
    17. shall include any carryover of disallowed interest de-
    18. scribed in section 163(n) under rules similar to the
    19. rules of parawaph (1).".
    20. (8) CONFORMING Al\l[ENDMENT.-Section
    21. 382(k)(l) is amended by inserting after the first
    22. sentence the following: '' Such term shall include any
    23. corporation entitled to use a carryforward of dis-
    24. allowed interest described in section 38l(c)(20).".

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1. (c) EFFECTIYE DATE.-The amendments made hy
2. this section shall apply to taxable years beginning; after 3 December 31, 2017.
3. **SEC. 13302. MODIFICATION OF NET OPERATING LOSS DE-**
4. **DUCTION.**
5. (a) LIMITATION OX DEDUCTION.-
6. (1) IN GENERAL.-Section 172(a) IS amended
7. to read as follows:
8. "(a) DEDUCTION ALLOWED.-There shall be allowed
9. as a deduction for the taxable year an amount equal to
10. the lesser of-
11. "(1) the aggregate of the net operating loss
12. carryovers to such year, plus the net operating loss
13. carrybacks to such year, or
14. "(2) 90 percent (80 percent in the case of tax-
15. ahle years heginning after Decemher :n, 2022) of
16. taxable income computed without regard to the de-
17. duction allowable under this section.
18. For purposes of this subtitle, the term 'net operating loss
19. deduction' means the deduction allowed by this sub-
20. section.".
21. (2) COORDINATIOX OF LIMITATION WTTH
22. CARRYBACKS AND CARRYOVERS.-Section 172(b)(2)
23. is amended by striking "shall be computed-" and
24. all that follows and inserting "shall-

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* 1. "(A) he computed with the modifications
  2. specified in subsection (d) other than para-
  3. graphs (1), (4), and (5) thereof, and by deter-
  4. mining the amount of the net operating loss de-
  5. duction without regard to the net operating loss
  6. for the loss year or for any taxable year there-
  7. after,
  8. '' (B) not be considered to be less than
  9. zero, and
  10. " (C) not exceed the amount determined
  11. under subsection (a)(2) for such prior taxable
  12. year.".
  13. (3) CONFORMING AlVIENDMENT.-Section
  14. 172(d)(ti) is amended by striking "and" at the end
  15. of subparagraph (A), by striking the period at the
  16. end of subparagraph (B) and inserting ''; and'', and
  17. by adding at the end the following· new subpara-
  18. graph:
  19. "(C) subsection (a)(2) shall be applied by
  20. substituting 'real estate investment trust tax-
  21. able income (as defined in section 857(h)(2) hut
  22. without reg·ard to the deduction for dividends
  23. paid (as defined in section 561))' for 'taxable
  24. income'.".

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* + 1. (h) REPEAL OF NET OPERATIXG Loss CARRYBACK;
    2. INDEFINITE CARRYFORWARD.-
    3. (1) IN GEXERAL.-Section 172(b)(l)(A) 1s
    4. amended-
    5. (A) by striking "shall be a net operating
    6. loss carryhack to each of the 2 taxahle years"
    7. in clause (i) and inserting- "except as otherwise
    8. provided in this paragraph, shall not be a net
    9. operating loss carryback to any taxable year'',
    10. and
    11. (B) hy striking "to each of the 20 taxahlc
    12. years" in clause (ii) and inserting· "to each tax­
    13. able year''.
    14. (2) C0NI -,OI{MING Al\IENDMENT.-Scction
    15. 1 72(b)(1) is amended by striking subparagraphs (B)
    16. through (F).
    17. (c) TREATMENT OF FARMING LOSSES.-
    18. (1) ALLOWANCE OF CARRYBACKS.-Section
    19. 172(b)(l), as amended by subsection (b)(2), is
    20. amended by adding at the end the following new
    21. suhparagraph:
    22. "(B) FARMING LOSSES.-
    23. "(i) Ix GENERAL.-In the case of any
    24. portion of a net operating loss for the tax­
    25. able year which is a farming loss with re-

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1. spect to the taxpayer, such loss shall he a
2. net operating loss earrybaek to eaeh of the
3. 2 taxable years preceding the taxable year
4. of sueh loss.
5. "(ii) FARMING LOSS.-For purposes
6. of this section, the term 'farming loss'
7. means the lesser of-
8. " (I) the amount which would be
9. the net operating loss for the taxable
10. year if only income and deductions at­
11. trihutahle to farming husinesses (as
12. defined in seetion 263A(e)(4)) are
13. taken into account, or
14. '' (II) the amount of the net oper­
15. ating loss for such taxable year.
16. "(iii) COORDINATION WITH PARA­
17. GRAPH (2).-For purposes of applying
18. paragraph (2), a farming loss for any tax­
19. able year shall be treated as a separate net
20. operating loss for such taxable year to be
21. taken into account after the remaining
22. portion of the net operating loss for sueh
23. taxable year.
24. "(iY) ELECTION.-Any taxpayer enti­
25. tled to a 2-year carryback under clause (i)

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1. from any loss year may elect not to han
2. such clause apply to such loss year. Such
3. election shall be made in such manner as
4. prescribed by the Secretary and shall be
5. made by the due date (including extensions
6. of time) for filing the taxpayer's return for
7. the taxable year of the net operating loss.
8. Such election, once made for any taxable
9. year, shall be irrevocable for such taxable
10. year.".
11. **(2)** CONFORMING AMENDMENTS.-
12. (A) Section 172 is amended by striking
13. subsections (f), (g), and (h), and by redesig-
14. nating subsection (i) as subsection (f).
15. (B) Section 587(b)(4) is amended by m-
16. serting '' (as in effect heforc the date of enact-
17. ment of the Tax Cuts and ,Jobs Act)" after "as
18. defined in section 172 (f) ".
19. (d) rrrmNr .Vll Wr OF' CEWrAIN INSURANCE LOSSES.-
20. **(1)** TREATMENT OF CARRYFORWARDS AND
21. CARRYBACKS.-Sectiou 172(h) (1), as amended hy
22. subseetions (b)(2) and (c)(l), is amended by adding·
23. at the end the following new subparagraph:
24. "(C) INSURA.l\JCE COMPANIES.-In the case
25. of an insurance company (as defined in section

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1. 816(a)) other than a life insurance company,
2. the net operating loss for any taxable year-
3. "(i) shall be a net operating loss
4. carryback to each of the 2 taxable years
5. preceding the taxable year of such loss,
6. and
7. "(ii) shall be a net operating loss car­
8. ryoYer to each of the 20 taxable years fol­
9. lowing the taxable year of the loss.''.
10. (2) EXEMPTIOX FROM LIMITATION.-Section
11. 172, as amended hy suhsection (c)(2)(A), is ameud-
12. ed by redesig·nating subsection (f) as subsection (g·)
13. and inserting after subsection (e) the following new
14. subsection:
15. "(f) SPECIAL RULE FOR INSURANCE COMPANIES.-
16. In the case of au insurance company (as defined in section
17. 816(a)) other than a life insurance company-
18. '' (1) the amount of the deduction allowed under
19. subsection (a) shall be the aggregate of the net oper-
20. ating loss carryoYers to such year, plus the net oper-
21. ating loss carryhacks to such year, and
22. "(2) subparagraph (C) of subsection (b)(2)
23. shall not apply.''.
24. (e) EFFECTIYE DATE.-

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* 1. **(1)** NET OPERATING LOSS LIMITATION.-Thc
  2. amendments made by subsections (a) and (d)(2)
  3. shall apply to losses arising in taxable years begin-
  4. ning after Deeembcr 31, 2017.
  5. (2) CARRYFORWARDS AND CARRYBACKS.-The
  6. amendments made hy suhsections (h), (c), and
  7. (d) (1) shall apply to net operating losses arising in
  8. taxable years ending after December 31, 2017.
  9. **SEC. 13303. LIKE-KIND EXCHANGES OF REAL PROPERTY.**
  10. (a) IN GENERAL.-Section 1031(a)(l) is amended by
  11. striking "property" each place it appears and inserting
  12. "real property".
  13. (b) CONFORMING AlVIENDMENTS.-
  14. (l)(A) Paragraph (2) of section 10:n(a) Is
  15. amended to read as follows:
  16. "(2) EXCEPTION FOR REAL PROPERTY HELD
  17. FOR SALE.-This subsection shall not apply to any
  18. exchange of real property held primarily for sale.".
  19. (B) Scetion 1031 is amended by striking sub-
  20. section (i).
  21. (2) Section 1031 IS amended hy striking suh-
  22. section (e).
  23. (3) Section 1031, as amended by paragraph
  24. (2), is amended by inserting after subsection (d) the
  25. following new subsection:

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1. "(c) APPLICATION TO CERTAIN PARTNERSHIPS.-
2. For purposes of this section, an interest in a partnership
3. which has in effect a valid election under section 761(a)
4. to be excluded from the application of all of subchapter
5. K shall be treated as an interest in each of the assets of
6. such partnership and not as an interest in a partnership.".
7. (4) Section 103l(h) is amended to read as fol-
8. lows:
9. "(h) SPECIAL RULES l•.,OH Fmmmx REAL PHOP-
10. ERTY.-Real property located in the United States and
11. real property located outside the United States arc not
12. property of a like kind.''.
13. (5) The heading of section 1031 is amended by
14. striking **''PROPERTY''** and inserting **''REAL PROP·**
15. **ERTY''.**
16. (6) The table of sections for part III of suh-
17. chapter O of chapter 1 is amended by striking the
18. item relating to section 1031 and inserting the fol-
19. lowing new item:

"Sec. 1031. Exchange of real property held for prorluctiYe use or inYestment.".

1. (c) EFFECTIVE DATE.-
2. (1) IN GENERAL.-Except as otherwise pro-
3. vided in this subsection, the amendments made by
4. this section shall apply to exchanges completed after

24 December :n, 2017.

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* 1. (2) TRANSITION RULE.-The amendments
  2. made by this seetion shall not apply to any exehange
  3. if-
  4. (A) the property disposed of by the tax-
  5. payer in the exchange is disposed of on or be-
  6. fore December 31 2017, or
  7. (B) the property reeeived by the taxpayer
  8. in the exchange is received on or before Decem-

9 ber 31, 2017.

1. **SEC. 13304. LIMITATION ON DEDUCTION BY EMPLOYERS OF**
2. **EXPENSES FOR FRINGE BENEFITS.**
3. (a) No DEDFCTION ALLOWED FOR ENTERTAINMENT
4. EXPENSES.-
5. (1) IN GEXEHAL.-Seetion 274(a) IS amend-
6. ed-
7. (A) in paragraph (l)(A), hy striking "un­
8. less" and all that follows throng·h "trade or
9. business,'',
10. (B) by striking the ±lush sentenee at the
11. end of paragraph (1), and
12. (C) hy striking paragraph (2)(C).
13. (2) CONFORMING Ai'VIENDMENTS.­
14. (A) Section 274(d) is amended-

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* 1. (i) hy striking paragraph (2) and re-
  2. designating paragraphs (3) an<l (4) as
  3. paragraphs (2) and (3), respectiYely, and
  4. (ii) in the t1ush text following para-
  5. graph (3) (as so redesignated)-
  6. (I) hy striking ", entertainment,
  7. amusement, recreation, or use of the
  8. facility or property," in item **(B),** and
  9. (II) by striking **"(D)** the business
  10. relationship to the taxpayer of persons
  11. entertained, using the facility or prop-
  12. erty, or receiYing the gift'' and insert-
  13. mg "(D) the business relationship to
  14. the taxpayer of the person receiving-
  15. the benefit",
  16. (B) Section 274 1s amended hy striking
  17. subsection (1).
  18. (C) Section 274(n) is amended by striking
  19. ''AND E TEHTAIXMENT" in the heading.
  20. (D) Section 274(n)(l) is amended to read
  21. as follows:
  22. "(1) IN GENERAL.-The amount allowable as a
  23. deduction under this chapter for any expense for
  24. food or beverages shall not exceed 50 percent of the
  25. amount of such expense which would (but for this

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1. paragraph) he allowahle as a deduction under this
2. chapter.''.
3. (E) Section 274(n)(2) is amended-
4. (i) in subparagraph **(B),** by striking
5. ''in the case of an expense for food or beY-
6. eragcs,' ',
7. (ii) by striking subparagraph (C) and
8. redesignating subparagraphs **(D)** and (E)
9. as subparagraphs (C) and **(D),** respec-
10. tiYely,
11. (iii) hy striking "of suhparagraph

12 (E)" thLl..\_

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" of

1. subparagraph (D)", and
2. (iY) by striking "in subparag;raph
3. (D)" in the last sentence and inserting "in
4. suhparagraph (C)".
5. (F) Clause (iv) of section 770l(b)(5)(A) is
6. amended to read as follows:
7. "(iY) a professional athlete who is
8. temporarily in the United States to com-
9. petc in a sports cYent-
10. '' (I) which is organized for the
11. primary purpose of henefiting an or-
12. g·anization which is described in see-

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1. tion 50l(c)(8) and exempt from tax
2. un<ler section 50l(a),
3. "(II) all of the net proceeds of
4. which arc contributed to such organi­
5. zation, and,
6. "(III) which utilizes volunteers
7. for substantially all of the work per-
8. formed in carrying out such event.".
9. (b) ONLY 50 PEHCEWr 01,-, EXPENSES POH MEALS
10. PROVIDED ON OR NEAR BeSINESS PREMISES ALLOWED
11. AS DEDUCTION.-Paragraph (2) of section 274(n), as
12. amen<led by subsection (a), is amen<led-
13. (1) by striking subparagraph (B),
14. (2) by rcdesignating subparagraphs (C) and
15. (D) as subparagraphs (B) and (C), respectively,
16. (8) hy striking "of subparagraph (D)" in the
17. last sentence and inserting- "of subparagraph (C)",
18. and
19. (4) by striking "in subparagraph (C)" in the
20. last sentence and inserting "in subparagraph (B)".
21. (c) TREATMENT OF TRANSPORTATIOX BENEFITS.-
22. Section 274, as amended by subsection (a), is amen<le<l-
23. (1) in subsection (a)-

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* 1. (A) in the heading, hy striking "OR
  2. RECREATION" and inserting "RECREATION, OR
  3. QUALIFIED TRANSPORTATIOX FRINGES", and
  4. (B) by adding at the end the following new
  5. paragraph:
  6. "(4) QUALIFIED TRAi.'\JSPORTATIOX FRINGES.-
  7. No deduction shall be allowed under this chapter for
  8. the expense of any qualified transportation fringe
  9. (as defined in section 182(f)) provided to an em-
  10. ployee of the taxpayer.", and
  11. (2) hy inserting after subsection (k) the fol-
  12. lowing· new subsection:
  13. "(l) TRANSPORTATION AND COMMUTING BEXE-
  14. FITS.-No deduction shall be allowed under this chapter
  15. for any expense incurred for providing any transportation,
  16. or any paJ1nent or reimbursement, to an employee of the
  17. taxpayer in connection with travel between the employee's
  18. residence and place of employment, except as necessary
  19. for ensuring the safety of the employee.".
  20. (d) ELIMIXATION OF DEDUCTION FOR MEALS PRO-
  21. YIDED AT CONVENIENCE OF EMPLOYER.-Scction 274, as
  22. amended by subsection (c), is amended-
  23. (1) by redesignating subsection (o) as sub-
  24. section (p), and

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* + 1. (2) by inserting after subsection (n) the fol-
    2. lowing· new snbseetion:
    3. "(o) MEALS PROVIDED AT CONYENIEXCE OF EM-
    4. PLOYEH.-N o deduetion shall be allowed under this ehap-
    5. ter for-
    6. **"(1)** any expense for the operation of a facility
    7. deseribed in seetion 132(e)(2), and any expense for
    8. food or beverages, including under section 132 (e) (1),
    9. assoeiated with sueh faeility, or
    10. "(2) any expense for meals described in section 11 119(a).".

1. (e) EFFECTIVE DATE.-
2. (1) IN GENERAL.-Except as prmided in para-
3. graph (2), the amendments made by this seetion
4. shall apply to amounts incurred or paid after De- 16 cember 31, 2017.
5. (2) EFFECTIVE DATE FOR ELIMINATION OF DE-
6. DUCTION FOR MEALS PROVIDED AT CONVENIENCE
7. or -, EMPLOYER-The amendments made by sub- 2O section (d) shall apply to amounts incurred or paid
8. after December :n, 2025.
9. **SEC. 13305. REPEAL OF DEDUCTION FOR INCOME ATTRIB-**
10. **UTABLE TO DOMESTIC PRODUCTION ACTM-**
11. **TIES.**
12. (a) REPEAL.-

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* 1. **(1)** TAXPAYERS OTHER THAN CORPORA-
  2. TIONS.-Seetion 199 is amended by adding at the
  3. end the following new subsection:
  4. "(c) PAifi'IAL TEH IINNl'ION 11,,OH TAXPAYERS Qrl'IIEH
  5. THAN" CORPORATIONS.-In the case of a taxpayer other
  6. than a C corporation, this section shall not apply to any
  7. taxable year beg·inning after Deeember 31, 2017.".
  8. (2) CERTAIN SPECIAL RULES FOR COOPERA-
  9. 1'IVES.-Scetion 199(d)(3) is amended by adding at
  10. the end the following new subparagraph:
  11. "(G) PARTIAL TERMINATION.-Suhpara-
  12. graphs (A) and (B) shall not apply to any tax-
  13. able year beginning after December 31, 2017.".
  14. (3) TO1'AL HEPEAL.-Part VI of subehaptcr B
  15. of chapter 1, as amended by paragraphs **(1)** and (2),
  16. is amended hy striking section Hrn (and hy striking
  17. the item relating to sueh section in the table of see-
  18. tions for such part).
  19. (b) CONI1,,OHMING AMENDMENTS.-

20 (1) Sections 74(d)(2)(B), 86(b)(2)(A),

21 135(c)(4)(A),

22 221(b)(2)(C),

137(h)(3)(A),

222(b)(2)(C),

219(g)(:3 )(A)(ii),

246(b)(l), and

23 469(i)(3)(F)(iii) are each amended by striking 24 "199,".

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1. (2) Section 170(b)(2)(D), as amended by sec-
2. tion 11011, is amPrnled by striking· elause (iv) and
3. by redesignating clauses (v) and (vi) as redesig-
4. nating elauscs (iv) as elausc (v), rcspcetivcly.
5. (:3) Section 172 (d) is amended by striking para-
6. graph (7).
7. (4) Section 613(a) is amended Ly striking "and
8. without the deduction under section 199".
9. (5) Seetion 613A(d) (1) is amended by striking
10. subparagraph (B) and by redesignating subpara-
11. graphs (C), (D), and (E) as subparagraphs (B), (C),
12. and (D).
13. (c) EFFECTIVE DATE.-
14. (1) IN GE:\'EIW.i.-Execpt as prmidcd in para-
15. graph (2), the amendments made by this section
16. shall apply to taxahle years beginning after Decem- 17 ber 31, 2018.
17. (2) EARLIER TERMINATIOX FOR CERTAI:\' TAX-
18. PAYEHS.-The amt1ndment made by paragraphs (1)
19. and (2) of subsection (a) shall apply to taxable years
20. beginning aner December 31, 2017.
21. **SEC. 13306. DENIAL OF DEDUCTION FOR CERTAIN FINES,**
22. **PENALTIES, AND OTHER AMOUNTS.**
23. (a) DENUL OF DEDCCTIOX.-

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* 1. (1) IN GENERAL.-Suhscction (f) of section 162
  2. is amended to read as follows:
  3. "(f) FINES, PENALTIES, A."'\1"D OTHER AMOUNTS.-
  4. **"(l)** IN GENEHAL.-Exeept as provided in the
  5. following paragraphs of this subsection, no deduction
  6. otherwise allowable shall he allowed under this chap-
  7. ter for any amount paid or ineurred (whether by
  8. suit, agreement, or otherwise) to, or at the direction
  9. of, a government or governmental entity in relation
  10. to the violation of any law or the investigation or in-
  11. quiry hy such gow rnment or entity into the potential
  12. violation of any law.
  13. "(2) EXCEPTIOX FOR AMOrNTS COXSTITUTING
  14. l{ESrrrrUrrIOX OH PAID TO COME IWrO COMPLIANCE
  15. WITH LAW.-
  16. **"(A)** IN GENERAL.-Paragraph **(1)** shall
  17. not apply to any amount that-
  18. "(i) the taxpayer establishes-
  19. "(I) eonstitutcs restitution (in-
  20. eluding remediation of property) for
  21. damage or harm which was or may he
  22. eaused by the violation of any law or
  23. the potential violation of any law, or
  24. "(II) is paid to eomc into eompli-
  25. ance with any law which was violated

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1. or otherwise involved in the investiga-
2. tion or inquiry deseribed in paragTaph

3 (1),

1. "(ii) is identified as restitution or as
2. an amount paid to come into compliance
3. with such law, as the case may he, in the
4. eourt order or settlement agreement, and
5. "(iii) in the case of any amount of
6. restitution for failure to pay any tax im-
7. posed under this title in the same manner
8. as if such amount were such tax, would
9. have been allowed as a deduction under
10. this chapter if it had been timely paid.
11. The identifieation under elause (ii) alum\_} shall
12. not be sufficient to make the establishment re-
13. quired under clausp (i).
14. "(B) LIMITATIOX.-Subparagraph (A)
15. shall not apply to any amount paid or incurred
16. as reimbursement to the gon rnment or entity
17. for the costs of any investigation or litig·ation.
18. "(3) EXCEPTION FOR A.v.. 1UCNTS PAID OR IN-
19. CPRRED AS THE RESPLT OF CERTAIX COPRT OR-
20. DERS.-Paragraph (1) shall not apply to any
21. amount paid or ineurred by reason of any order of

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1. a court in a suit in which no government or govcrn-
2. mental entity is a party.
3. "(4) EXCEPTION FOR TAXES DCE.-Paragraph
4. (1) shall not apply to any amount paid or incurred
5. as taxes due.
6. "(5) TREATMENT OF CERTAIX NONGOVERN-
7. lVIENTAL REGPLATORY ENTITIES.- -,or purposes of
8. this subsection, the following nongovernmental enti-
9. tics shall be treated as gon rnmcntal entities:
10. "(A) Any nongoYernmental entity which
11. exercises self-regulatory powers (including im-
12. posing sanctions) in connection with a qualified
13. board or exchange (as defined in section

14 1256(g)(7)).

1. "(B) To the extent prmided in regulations,
2. any nongovernmental entity which exercises
3. self-regulatory powers (including imposing sanc-
4. tions) as part of performing an essential goY-
5. ernmental funetion.".
6. (2) EFFECTIVE DATE.-The amendment made
7. hy this subsection shall apply to amounts paid or in-
8. curred on or after the date of the enaetment of this
9. Act, except that such amendments shall not apply to
10. amounts paid or incurred under any binding order
11. or agreement entered into before such date. Such ex-

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1. ception shall not apply to an order or agreement re-
2. quiring eourt approval unless the approYal was ob-
3. tained before such date.
4. (b) HEPOH'l'ING 01 ,, DEDUC'l'IBLE lllvlOLNTS.-
5. (1) IN GENERAL.-Subpart, B of part III of
6. suhchapter A of chapter 61 is amended hy inserting
7. after section *6050\\T·* the following new section:
8. **"SEC. 6050:X. INFORMATION WITH RESPECT TO CERTAIN**
9. **FINES, PENALTIES, AND OTHER AMOUNTS.**
10. "(a) REQUIREMENT OF REPORTING.-
11. **"(1)** IN GENERAL.-The appropriate official of
12. any government or any entity described in section
13. 162(f)(5) which is involved in a suit or agreement
14. described in paragraph (2) shall make a return in
15. such form as determined by the Secretary setting
16. forth-
17. "(A) the amount required to be paid as a
18. result of the suit or agreement to which para-
19. graph (1) of scetion 162 (f) applies,
20. "(B) any amount required to be paid as a
21. result of the suit or agreement which con-
22. stitntes restitution or remediation of property,
23. and
24. " (C) any amount required to be paid as a
25. result of the suit or agreement for the purpose

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1. of coming into compliance with any law which
2. was violated or involved in the investig·ation or
3. mqmry.
4. "(2) Snrr OH .AGl{EE IEX'r DESCIUBED.-
5. "(A) Ix GENERAL.-A suit or agreement is
6. descrihed in this paragraph if-
7. " (i) it is-
8. "(I) a suit with respect to a Yio­
9. lation of any law over whieh the goY­
10. ernment or entity has authority and
11. ,vith respect to which there has heen
12. a eourt order, or
13. "(II) an agreement which 1s en­
14. tered into with respeet to a Yiolation
15. of any law OYer which the government
16. or entity has authority, or with re­
17. spect to an investigation or inquiry by
18. the government or entity into the po­
19. tential violation of any law oYer whieh
20. such goYernment or entity has author­
21. ity, and
22. "(ii) the aggregate amount involYe<l in
23. all court orders and agreements with re­
24. sped to the violation, investig·ation, or m­
25. quiry is $600 or more.

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1. "(B) ADJUST:MENT **OF REPORTING**
2. THRESHOLD.-The Secretary shall adjust the
3. $600 amount in subparagraph **(A)(ii)** as nec­
4. essary in order to ensure the efficient adminis­
5. tration of the internal revenue laws.
6. ''(:3) TIME OF FILIXG.-The return required
7. under this subsection shall be filed at the time the
8. agreement is entered into, as determined by the Sec­
9. retary.
10. **"(b) STATEMENTS To BE FURNISHED TO lNDIVID-**
11. UALS INV0LYED IX THE SETTLEMENT.-Every person re-
12. quired to make a return under subsection (a) shall furnish
13. to each person who is a party to the suit or agreement
14. a written statement showing-
15. "(l) the name of the government or entity, and
16. "(2) the information supplied to the Secretary
17. under subsection (a)(1).
18. The written statement required under the preceding sen-
19. tence shall be furnished to the person at the same time
20. the government or entity provides the Secretary with the
21. information required under subsection (a).
22. " (e) APPROPRIATE OFFICIAL DEFINED.-For pur-
23. poses of this section, the term 'appropriate official' means
24. the officer or employee having control of the suit, inw s-

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1. tigation, or inquiry or the person appropriately designated
2. for purposes of this seetion.".
3. (2) Co N 1 0 RMING A..\'IENDMENT.-The table of
4. seetions for subpart B of part III of subehapter A
5. of chapter 61 is amended by inserting after the item
6. relating to section 6050\V the following new item:

"Sec. 6050X. Information with respert to certain fines, penalties, and other amounts.".

1. (3) EFFECTIVE DATE.-The amendments made
2. by this subseetion shall apply to amounts paid or in-
3. curred on or after the date of the enactment of this
4. Act, except that such amendments shall not apply to
5. amounts paid or incurred under any binding order
6. or agreement entered into before such date. Such ex-
7. eeption shall not apply to an order or agTeement re-
8. quiring court approval unless the approYal was ob-
9. tained hefore such date.
10. **SEC. 13307. DENIAL OF DEDUCTION FOR SE'ITLEMENTS**
11. **SUBJECT TO NONDISCLOSURE AGREEMENTS**
12. **PAID IN CONNECTION WITH SEXUAL HARASS-**
13. **MENT. OR SEXUAL ABUSE.**
14. (a) DENIAL OF DEDUCTION.-Section 162 is amend-
15. ed by redesignating subsection (q) as subseetion (r) and
16. by inserting after subsection (p) the following new sub-
17. seetion:

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1. " (q) PAYMENTS RELATED TO SE:1..71.JAL HARASSMENT
2. AND SE:1..71.JAL .ABUSE.-No deduction shall be allowed
3. under this chapter for-
4. ''(1) any settlement or payment related to sex-
5. ual harassment or se:1..'Ual abuse if such settlement or
6. payment is subject to a nondisclosure agreement, or
7. "(2) attorney's fees related to such a settlement
8. or payment.".
9. (b) EFFECTIVE DATE.-The amendments made by
10. this section shall apply to amounts paid or incurred after
11. the date of the enactment of this Act.
12. **SEC '-3308. UNIFORM TREATMENT OF EXPENSES** IN **CON-**
13. **TINGENCY FEE CASES.**

',

1. (a) IN GENEBAL.-Section 162, as amended by sec-

""'

1. tion 13307, is ame11ded by re9-esignating subsection (r) as
2. subsection (s) and by i11\_s i ting after subsection (q) the

*/* ',,

1. following new subsect oi1:

*//*

1. "(r) EXPENSES IN CONTINGENCY FEE CASES.-No
2. deduction sh allowed under subsection (a) to a tax-

/ '

1. payer for m/y e:1..rpense-

*//*

1. */,* " (1) paid or incurred in the course of the trade

/

'

1. *//* or business of practicing law, and

/

2:t/

/

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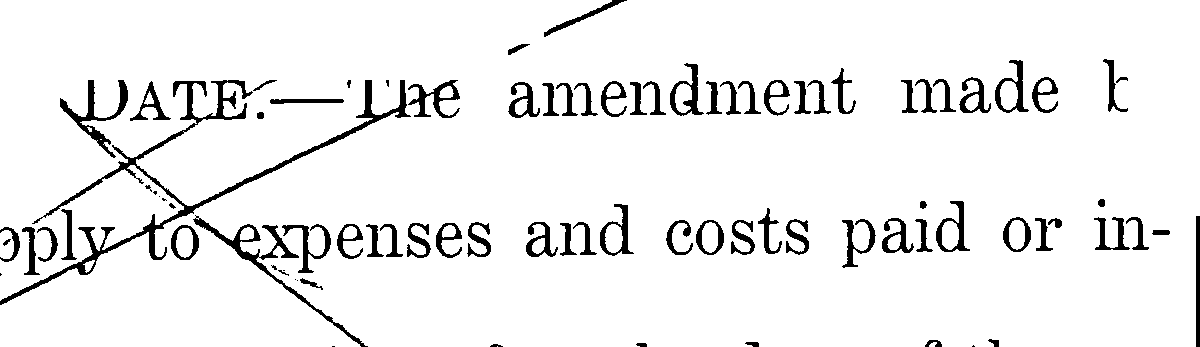
*/* 25

"(2) resulting from a case for which the tax- payer 1s compensated primarily on a contingent basis,

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1



such continge s-1: ;d.''.

(b) EFFECTIVE this section shall appl

by

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* 1. curred in tax e years beginnin after the date of the en-

###### ", '-----,,,

* 1. actmenty this Act.
  2. **SEC. 13309. REPEAL OF DEDUCTION FOR LOCAL LOBBYING**
  3. **EXPENSES.**
  4. (a) IN GENERAL.-Section 162(e) is amended by
  5. striking paragraphs (2) and (7) and by redesignating
  6. paragraphs (3), (4), (5), (6), and (8) as paragraphs (2),

11 (3), (4), (5), and (6), respectively.

1. (b) CONFORMING
2. 6033(e) (1) (B) (ii) lS amended 14 162(e) (5) (B) (ii) ' ' and

15 162 (e) (4)(B)(ii)".

Al\mNDMENT .-Section by striking '' section inserting '' section

1. (c) EFFECTIVE DATE.-The amendments made by
2. this section shall apply to amounts paid or incurred on
3. or after the date of the enactment of this Act.
4. **SEC. 13310. RECHARACTERIZATION OF CERTAIN GAINS IN**
5. **THE CASE OF PARTNERSHIP PROFITS INTER-**
6. **ESTS HELD** IN **CONNECTION WITH PERFORM-**
7. **ANCE OF INVESTMENT SERVICES.**
8. (a) IN GENERAL.-Part IV of subchapter O of chap-
9. ter 1 is amended-

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1 (1) hy redesignatiug section 1061 as section 2 1062, and

1. (2) by inserting after section 1060 the following
2. new scetion:
3. **"SEC. 1061. PARTNERSHIP INTERESTS HELD IN CONNEC-**
4. **TION WITH PERFORMANCE OF SERVICES.**
5. "(a) IN GENERAL.-If one or more applieable part-
6. nership interests are held by a taxpayer at any time during
7. the taxable year, the exeess (if any) of-
8. "(1) the taxpayer's net long-term capital gam
9. with respect to such interests for such taxable year,
10. over
11. "(2) the taxpayer's net long-term capital gam
12. with respeet to sueh interests for sueh taxable year
13. computed by applying paragraphs ( 3) and (4) of sec-
14. tions 1222 by suhstitutiug '8 years' for '1 year',
15. shall be treated as short-term eapital gain, notwith-
16. standing section 83 or any election in effect under section 19 83(b).
17. "(b) SPECIAL RULE.-To the extent provided by the
18. Secretary, suhsection (a) shall not apply to income or gain
19. attributable to any asset not held for portfolio inYestment
20. on behalf of third party investors.
21. "(e) APPLICABLE PARTNERSHIP INTEREST.-For
22. purposes of this section-

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* 1. "(l) IN GENERAL.-Except as provided in this
  2. parag-raph or paragraph (4), the term 'applicable
  3. partnership interest' means any interest in a part-
  4. nership which, directly or indirectly, is transferred to
  5. (or is held by) the taxpayer in connection with the
  6. performance of suhstantial seni.ces hy the taxpayer,
  7. or any other related person, in any applicable trade
  8. or business. The pre,i.ous sentence shall not apply to
  9. an interest held by a person who is employed by an-
  10. other entity that is conducting a trade or business
  11. (other than an applicable trade or husiness) and
  12. only provides services to such other entity.
  13. "(2) APPLICABLE TRADE OR BUSINESS.-The
  14. term 'applicable trade or business' means any activ-
  15. ity conducted on a regular, continuous, and substan-
  16. tial basis which, regardless of whether the acthi.ty is
  17. conducted in one or more entities, consists, in whole
  18. or in part, of-
  19. "(A) raising or returning capital, and
  20. "(B) either-
  21. ''(i) investing m (or disposing of)
  22. specified assets (or identifying- specified as-
  23. sets for such inYesting or disposition), or
  24. "(ii) deYeloping specified assets.

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* + 1. "(3} SPECIFIED ASSET.-The term 'specified
    2. asset' means seeurities (as defined in seetion
    3. 475(c)(2) without regard to the last sentence there-
    4. of), eommodities (as defined in seetion 475(e) (2)),
    5. real estate held for rental or investment, cash or
    6. cash equirnlcnts, options or derivative contracts vtith
    7. respeet to any of the foregoing·, and an interest in
    8. a partnership to the extent of the partnership's pro-
    9. portionate interest in any of the foregoing.
    10. "( 4) EXCEPTIONS.-The term 'applicable part-
    11. nership interest' shall not include-
    12. "(A) any interest in a partnership direetly
    13. or indirectly held by a corporation, or
    14. "(B) any eapital interest in the partner-
    15. ship which prmides the taxpayer with a right to
    16. share in partnership capital commensurate
    17. ,vith-
    18. "(i) the amount of capital contributed
    19. (determined at the time of reeeipt of sueh
    20. partnership interest), or
    21. "(ii) the value of such interest subject
    22. to tax under seetion 83 upon the reeeipt or
    23. vesting of such interest.
    24. "(5) THIRD PARTY INVEST0R.-The term 'third
    25. party investor' means a person who-

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* + - 1. "(A) holds an interest in the partnership
      2. which does not constitute property held in con-
      3. nection with an applicable trade or business;
      4. and
      5. **"(B)** is not (and has not been) actively en-
      6. gaged, and is (and was) not related to a person
      7. so eng-ag·ed, in (directly or indirectly) proYiding
      8. substantial services described in paragraph (1)
      9. for such partnership or any applicable trade or
      10. business.
      11. "(d) TRANSFER OF APPLICABLE PARTNERSHIP lN-
      12. **TEREST TO RELATED PERSON.-**
      13. " (1) IN GENERAL.-If a taxpayer transfers any
      14. applicable partnership interest, directly or indirectly,
      15. to a person related to the taxpayer, the taxpayer
      16. shall include in gross income (as short term capital
      17. g-ain) the excess (if any) of-
      18. "(A) so much of the taxpayer's long-term
      19. capital gains with respect to such interest for
      20. such taxable year attributable to the sale or ex-
      21. change of any asset held for not more than :3
      22. years as is allocable to such interest, over
      23. "(B) any amount treated as short term
      24. capital gain under subsection (a) with respect
      25. to the transfer of such interest.

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1. "(2) RELATED PERSON.-For purposes of this
2. parag-raph, a person is related to the taxpayer if-
3. **"(A)** the person is a member of the tax-
4. payer's family within the meaning of section 5 :n8(a)(l), or
5. '' (B) the person performed a service ·within
6. the current calendar year or the preceding- three
7. calendar years in any applicable trade or busi-
8. ness in which or for which the taxpayer per-
9. formed a service.
10. "(e) REPORTING.-The Secretary shall require such
11. reporting· (at the time and in the manner prescribed by
12. the Secretary) as is necessary to carry out the purposes
13. of this section.
14. "(f) REGULATIONS.-The Secretary shall issue such
15. regulations or other guidance as is necessary or appro-
16. priate to carry out the purposes of this section".
17. (b) CLERICAL AivIENDMENT.-The table of sections
18. for part IV of subchaptcr O of chapter 1 is amended by
19. striking the item relating to 1061 and inserting the fol-
20. lowing new items:

"Sec. lOGl. Partnership interests held in ronnection with pe1formance of se1T- 1ces.

"Sec. 1062. Cross references.".

1. (c) EFFECTIYE DATE.-The amendments made by
2. this section shall apply to taxable years beginning after

24 December :n, 2017.

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1. **SEC. 13311. PROHIBITION ON CASH, GIFT CARDS, AND**
2. **OTHER NON-TANGIBLE PERSONAL PROPERTY**
3. **AS EMPLOYEE ACHIEVEMENT AWARDS.**
4. (a) IN GENERAL.-Subparagraph (A) of section
5. 274(j)(:3) is amended-
6. (1) by striking "The term" and inserting the
7. following:
8. "(i) I GENERAL.-The term".
9. (2) by redesignating clauses (i), (ii), and (iii) as
10. subclauses (I), (II), and (III), respectively, and con-
11. forming the margins accordingly, and
12. (:3) hy adding at the end the following new
13. clause: 14

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"(ii) **TANGIBLE PERSONAL PROP­**

ERTY.-For purposes of clause (i), the term 'tangible personal property' shall not include-

"(I) eash, eash equivalents, g;ift cards, gift coupons, or gift certificates (other than arrangements conferring only the right to select and receive tangible personal property from a lim­ ited array of sueh items pre-seleeted or pre-approved by the employer), or "(II) Yacations, meals, lodging, tickets to theater or sporting events,

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* 1. stocks, honds, other securities, and
  2. other similar items.".
  3. (b) EFFECTIVE DATE.-The amendments made by
  4. this seetion shall apply to amounts paid or ineurred after

5 December ;n, 2017.

1. **SEC. 13312. FLOOR PLAN FINANCING.**
2. (a) APPLICATION OF INTEREST LIMITATION.-
3. (1) IN GEXERAL.-Section 163(j), as amended
4. by seetion 13301, is amended-

IO (A) in paragraph (1), by striking "plus" at

1. the end of suhparagraph (A), hy striking the
2. period at the end of subparagraph (B) and in-
3. serting ", plus", and by inserting after subpara-
4. graph (B) the following new subparagraph:
5. "(C) the floor plan financing interest of
6. such taxpayer for such taxable year.", and
7. (B) in paragTaph (4)(C)(i)(II), by inserting
8. '', reduced by the floor plan financing interest,''
9. after "business interest of the partnership",
10. and
11. (C) hy redesignatiug paragraph (9) as
12. paragraph (10) and inserting after paragraph
13. (8) the following new paragraph:
14. ''(9) FLOOR PLAN FINANCING INTEREST DE-
15. FINED.-For purposes of this subsection-

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* 1. "(A) IN GENERAL.-The term 'floor plan
  2. financing- interest' means interest paid or ac­
  3. crued on floor plan financing indebtedness.
  4. "(B) PLOOH PIA, 1 -,INANCIXG INDEBrrED­
  5. NESS.-The term 'floor plan financing indebt­
  6. edness' means indebtedness-
  7. " (i) used to finance the acquisition of
  8. motor Yehicles held for sale or lease, and
  9. "(ii) secured by the inventory so ac­
  10. quired.
  11. "(C) MOTOR VEHICLE.-The term 'motor
  12. vehicle' means a motor vehicle that is any of
  13. the following:
  14. "(i) An automobile.
  15. "(ii) A truck.
  16. "(iii) A recreational Yehicle.
  17. "(iY) A motorcyele.
  18. "(v) Any self-propelled vehicle de­
  19. signed for transporting persons or property
  20. on a public street, highway, or road.
  21. "(vi) A hoat.
  22. "(vii) Farm machinery or eqmp­
  23. ment.''.

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* + 1. (2) EFFECTIVE DATE.-The amendments made
    2. by this subsection shall apply to taxable years begin-
    3. ning after December 31, 2017.
    4. (b) EXCEP'rION FROM 100 PERCENT EXPENSIXG.-
    5. (1) IN GENERAL.-Paragraph (6) of section
    6. 168(k), as added hy section 1320l(a)(4), is amend-
    7. ed-

8

* 1. by striking "shall not include any

9 property'' and inserting '' shall not inelude-

1. "(A) any property", and
2. (B) hy adding at the end the following new
3. subparagraph:
4. "(B) any property used in a trade or busi-
5. ness that has had floor plan financing indebted-
6. ness (as defined in paragraph (9) of section
7. 163 (j)), if the floor plan financing interest re-
8. lated to such indebtedness was taken into ac-
9. count under paragraph (l)(C) of such section.".
10. (2) E F1 I•,,EC'l'IYE DATE.-The amendments made
11. by this subsection shall apply to property placed in
12. service after September 27, 2017, in taxable years
13. ending after such date.

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* 1. **SEC. 13313. ELIMINATION OF DEDUCTION FOR LIVING EX-**
  2. **PENSES INCURRED BY MEMBERS OF CON-**
  3. **GRESS.**
  4. (a) IN GENERAL.-Subsection (a) of section 162 is
  5. amended in the matter following paragraph (:3) by striking
  6. "in excess of $3,000".
  7. (h) EFFECTIVE DATE.-The amendment made by
  8. this seetion shall apply to taxable years beg·inning· after
  9. the date of the enactment of this Act.
  10. PART V-BUSINESS CREDITS
  11. **Subpart A-General Provisions**
  12. **SEC. 13401. MODIFICATION OF ORPHAN DRUG CREDIT.**
  13. (a) CREDIT RATE.-Subseetion (a) of seetion 45C is
  14. amended by striking "50 percent" and inserting "27.5
  15. percent".
  16. (b) ELECTIOX OF REDUCED CREDIT.-Subsection
  17. (b) of section 280C is amended by redesignating para-
  18. graph (3) as paragTaph (4) and by inserting after para-
  19. graph (2) the following new paragraph:
  20. **"(:3) ELECTION OF REDUCED CREDIT.-**
  21. " **(A) IN** GENERAL.-In the case of any
  22. taxable year for which an election is made
  23. under this paragTaph-
  24. "(i) paragraphs **(1)** and (2) shall not
  25. apply, and

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* + 1. '' (ii) the amount of the credit under
    2. seetion 45C(a) shall be the amount deter­
    3. mined under subparagraph (B).
    4. "(B) AfIOU rl' OP REDUCED CHEDrl'.-The
    5. amount of credit determined under this sub­
    6. paragraph for any taxable year shall he the
    7. amount equal to the exeess of-
    8. " (i) the amount of credit determined
    9. under seetion 45C(a) without regard to
    10. this paragraph, over
    11. " (ii) the product of-
    12. " (I) the amount deseriLed m
    13. clause (i), and
    14. "(II) the maximum rate of tax
    15. under section 11 (b).
    16. "(C) ELECTION.-An election under this
    17. paragTaph for any taxable year shall be made
    18. not later than the time for filing the return of
    19. tax for sueh year (ineluding extensions), shall
    20. be made on such return, and shall be made in
    21. such manner as the Secretary shall prescrihe.
    22. Sueh an election, onee made, shall be irrev­
    23. ocable.''.

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* + - 1. (c) EFFECTIYE DATE.-The amendments made hy
      2. this seetion shall apply to taxable years beg·inning· after 3 December 31, 2017.

1. **SEC. 13402. REHABILITATION CREDIT LIMITED TO CER-**
2. **TIFIED HISTORIC STRUCTURES.**
3. (a) IN GENERAL.-Suhsection (a) of section 47 1s
4. amended to read as follows:
5. "(a) GENERAL RULE.-
6. "(1) IN GENERAL.-For purposes of seetion 46,
7. for any taxable year during the 5-year period begin-
8. ning in the taxable year in which a qualified reha-
9. bilitated building is plaeed in seni.ee, the rehabilita-
10. tion credit for such year is an amount equal to the
11. ratable share for sueh year.
12. "(2) RATABLE SHARE.-For purposes of para-
13. graph (1), the ratable share for any taxahle year
14. during the period described in such paragraph is the
15. amount equal to 20 percent of the qualified rehabili-
16. tation expenditures with respeet to the qualified re-
17. habilitated building, as allocated ratably to each year
18. during such period.''.
19. **(b) CONFORMING AMENDMENTS.-**
20. (1) Section 47(c) is amended-
21. (A) in paragraph (1)-

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* 1. (i) in subparagraph (A), hy amending
  2. elause (iii) to read as follows:
  3. "(iii) such building is a certified his-
  4. torie structure, and",
  5. (ii) by striking subparagraph **(B),** and
  6. (iii) hy redesignating suhparagraphs
  7. (C) and (D) as subparagraphs (B) and
  8. (C), respectiYely, and
  9. (B) in paragraph (2)(B), by amending
  10. clause (iv) to read as follows:
  11. "(iY) CERTIFIED HISTORIC STRUC-
  12. TURE.-Any expenditure attributable to
  13. the rehabilitation of a qualified rehabili-
  14. tated building unless the rehabilitation is a
  15. certified rehabilitation (within the meaning
  16. of subparagraph (C) ).''.
  17. (2) ParagTaph (4) of section 145(d) is amend-
  18. ed-
  19. (A) by striking "of section 47(e)(1 )(C)"
  20. each place it appears and inserting "of section

21 47(c)(l)(B)", and

1. (B) by striking "section 47(c)(l)(C)(i)"
2. and inserting "section 47(c)(l)(B)(i)".
3. (c) EFFECTIVE DATE.-

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* 1. (1) IN GENERAL.-Except as prmided in para-
  2. gTaph (2), the amendments made by this seetion
  3. shall apply to amounts paid or incurred after De- 4 eember :n, 2017.

1. (2) TRANSITIOX RULE.-ln the case of quali-
2. fied rehabilitation expenditures with respect to any
3. buil<ling·-
4. (A) owned or leased by the taxpayer dur-
5. ing the entirety of the period after Deeember 10 31, 2017, and
6. (B) with respect to which the 24-month
7. period selected Ly the taxpayer under section
8. 47(c)(1) (B) of the Internal Revenue Code of
9. 1986 (as amended by subseetion (b)) begins not
10. later than 180 days after the date of the enact-
11. ment of this Act,
12. the amendments made by this section shall apply to
13. such expenditures paid or incurred after the end of
14. the taxable year in which the 24-month period re-
15. ferred to in subparagraph (B) ends.
16. **SEC. 13403. EMPLOYER CREDIT FOR PAID FAMILY AND**
17. **MEDICAL LEAVE.**
18. (a) IN GEXERAL.-

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* 1. (1) ALLOWAXCE OF CREDIT.-Suhpart D of
  2. part IV of subchapter A of chapter 1 is amended by
  3. adding at the end the following new section:
  4. **"SEC. 45S. EMPLOYER CREDIT FOR PAID FAMILY AND MED-**
  5. **ICAL LEAVE.**
  6. "(a) ESTABLISHMENT OF CREDIT.-
  7. **"(1)** IN GENERAL.-For purposes of section 38,
  8. in the case of an eligible employer, the paid family
  9. and medical leave credit is an amount equal to the
  10. applicable percentage of the amount of wages paid
  11. to qualifying employees during any period in which
  12. such employees are on family and medical leave.
  13. "(2) APPLICABLE PERCENTAGE.-For purposes
  14. of paragraph (1), the term 'applicable percentage'
  15. means 12.5 percent increased (but not above 25 per-
  16. cent) hy 0.25 percentage points for each percentage
  17. point by which the rate of payment (as described
  18. under subsection (c)(l)(B)) exceeds 50 percent.
  19. "(b) LrMrrNrION.-
  20. "(1) IN GENERAL.-The credit allowed under
  21. subsection (a) with respect to any employee for any
  22. taxable year shall not exceed an amount equal to the
  23. product of the normal hourly wage rate of such em-
  24. ployee for each hour (or fraction thereof) of actual
  25. services performed for the employer and the number

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1. of hours (or fraction thereof) for which family and
2. medical leave is taken.
3. "(2) NON-HOURLY WAGE RATE.-For purposes
4. of paragraph (1), in the case of any employee who
5. is not paid on an hourly wag·e rate, the wages of
6. such employee shall he prorated to an hourly wage
7. rate under reg11lations established by the Secretary.
8. " (3) MiLXIMUM A..."l\tIOVNT OF LEAVE SUB,JECT TO
9. CHEDIT.-The amount of family and medical leave
10. that may be taken into account with respect to any
11. employee under suhsection (a) for any taxahle year
12. shall not exceed 12 weeks.
13. "(c) ELIGIBLE EMPLOYER.-For purposes of this
14. section-
15. "(1) IN GEXERAL.-The term 'eligible em-
16. ployer' means any employer who has in place a pol-
17. icy that meets the following- requirements:
18. '' (A) The policy provides-
19. '' (i) in the ease of a quali(ying em-
20. ployee who is not a part-time employee (as
21. defined in section 4980E(d)(4)(B)), not
22. less than 2 weeks of annual paid family
23. and medical leave, and
24. '' (ii) in the ease of a qualifying em-
25. ployee who is a part-time employee, an

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1. amount of annual paid family and medical
2. leave that is not less than an amount
3. which bears the same ratio to the amount
4. of annual paid family and medieal lean
5. that is provided to a qualifying employee
6. described in clause (i) as-
7. "(I) the number of hours the em-
8. ployee is expected to work during any
9. week, bears to
10. '' (II) the number of hours an
11. equivalent qualifying employee de-
12. scribed in clause (i) is expected to
13. work during the week.
14. "(B) The poliey requires that the rate of
15. payment under the program is not less than 50
16. percent of the wages normally paid to such em-
17. ployee for services performed for the employer.
18. **"(2)** SPECIAL RULE FOR CERTAIN EMPLOY-
19. EHS.-
20. "(A) IN GENERAL.-An added employer
21. shall not he treated as an eligible employer un-
22. less sm h employer provides paid family and
23. medical leave in compliance with a policy which
24. ensures that the employer-

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* 1. " (i) will not interfere ,vith, restrain,
  2. or deny the exercise of or the attempt to
  3. exercise, any right provided under the pol-
  4. icy, and
  5. "(ii) will not discharge or in any other
  6. manner discriminate against any individual
  7. for opposing- any practice prohibited by the
  8. policy.
  9. "(B) ADDED K\IPLOYEH; ADDED ElI-
  10. PLOYEE.-For purposes of this paragraph-
  11. "(i) ADm JD EMPLOYEE.-The term
  12. 'added employee' means a qualifying em-
  13. ployee who is not covered by title I of the
  14. -,amily and :\1edical Leave Act of 1993, as
  15. amended.
  16. "(ii) ADDED EMPLOYER.-The term
  17. 'added employer' means an eligible em-
  18. player (determined without regard to this
  19. paragraph), whether or not covered by that
  20. title I, who offers paid family and medical
  21. leaYP to added employees.
  22. "(3) AGGREGATIO RlTLE.-All persons which
  23. are treated as a single employer under subsections
  24. (a) and (b) of section 52 shall be treated as a single
  25. taxpayer.

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* + 1. **"(4) TREATMEXT OF BEXEFITS l\IANDATED OR**
    2. PAID FOR BY STATE OR LOCAL GOVERNMENTS.-For
    3. purposes of this section, any leave which is paid by
    4. a State or loeal goyernment or required by State or
    5. local law shall not be taken into account in deter-
    6. mining the amount of paid family and medical leave
    7. provided by the employer.
    8. "(5) No INFEREXCE.-Nothing m this sub-
    9. seetion shall be eonstrued as subjeeting an employer
    10. to any penalty, liability, or other consequence (other
    11. than ineligihility for the credit allowed hy reason of
    12. subseetion (a) or reeapturing· the benefit of sueh
    13. credit) for failure to comply with the requirements
    14. of this subseetion.
    15. "(d) QGALIFYING E:VIPLOYEES.-For purposes of
    16. this section, the term 'qualifying· employee' means any em-
    17. ployee (as defined in section 3(e) of the Fair Labor Stand-
    18. ards Act of 1938, as amended) who-
    19. " (1) has been employed by the employer for 1
    20. year or more, and
    21. "(2) for the preceding year, had compensation
    22. not in exeess of an amount equal to 60 percent of
    23. the amount applicable for such year under clause (i)
    24. of section 414(q)(l)(B).
    25. "(e) FAMILY D MEDICAL LEAVE.-

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* + - 1. "(l) IN GENERAL.-Exccpt as provided in para-
      2. graph (2), for purposes of this section, the term
      3. 'family and medical leave' means leave for any **1** or
      4. more of the purposes described under subparagraph
      5. **(A), (B),** (C), **(D),** or (E) of paragraph (1 ), or para-
      6. graph (3), of section 102(a) of the Family and Mcd-
      7. ical Leave Act of 1993, as amended, whether the
      8. leave is provided under that Act or by a policy of the
      9. employer.
      10. "(2) EXCLUSION.-If an employer provides paid
      11. leave as vacation leave, personal leave, or medical or
      12. sick leave (other than leave specifically for 1 or more
      13. of the purposes referred to in paragraph (1) ), that
      14. paid leaw shall not be considered to be family and
      15. medical leave under paragraph (1).
      16. "(3) DEF1 INITIONS.- l n this subsection, the
      17. terms 'vacation leave', 'personal leave', and 'medical
      18. or sick leave' mean those 3 types of leave, within the
      19. meaning of scdion 102(d)(2) of that Act.
      20. "(f) DETER:\IIXATIOXS MADE BY SECRETARY OF
      21. TREASURY.-For purposes of this section, any dctcrmina-
      22. tion as to whether an employer or an employee satisfies
      23. the applicable requirements for an eligible employer (as
      24. described in subsection (c)) or qualifying employee (as de-
      25. scribed in subsection (d)), respectively, shall be made by

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1. the Secretary hascd on such information, to he provided
2. by the employer, as the Secretary determines to be nec-
3. essary or appropriate.
4. "(g) WAGES.- ..,or purposps of this section, the term
5. 'wages' has the meaning given such term by subsection
6. (h) of section 3306 (determined without regard to any dol-
7. lar limitation contained in such section). Such term shall
8. not include any amount taken into account for purposes
9. of determining any other credit allowed under this sub-
10. part.
11. "(h) ELECTION TO HAVE CREDIT NOT APPLY.-
12. "(l) IN GENERAL.-A taxpayer may elect to
13. haYe this section not apply for any taxable year.
14. "(2) OTIIEH HUI,ES.-Rules similar to the rules
15. of paragraphs (2) and (:1) of section 51(j) shall
16. apply for purposes of this suhsection.
17. "(i) TERMINATION.-This section shall not apply to
18. wages paid in taxable years beginning after December 31,

19 2019.".

1. (b) CREDIT PART OF GEi\ERAL BcsI ESS CREDIT.-
2. Section 88(h) is amended by striking· "plus" at the cud
3. of paragraph (35), by striking the period at the end of
4. paragraph (36) and inserting ", plus", and by adding at
5. the end the following new paragraph:

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* 1. "(87) in the case of an eligihle employer (as de-
  2. fined in section 458(c)), the paid family and medical
  3. leave credit determined under section 45S(a).".
  4. (e) CREDIT ALLOWED AGAINST AMT.-Subpara-
  5. graph (B) of section :38(c)(4) is amended by redesignating
  6. clauses (ix) through (xi) as clauses (x) through (xii), re-
  7. speetively, and by inserting· after clause (viii) the following·
  8. new clause:
  9. "(ix) the eredit determined under see-
  10. tion 45S,".
  11. (d) CONF'ORl\IING 1L'1EXDMENTS.-
  12. (1) DENIAL OF DOUBLE BENEFIT.-Se( tion
  13. 280C(a) 1s amended by inserting "45S(a)," after

14 "45P(a),".

1. (2) ELECTION TO HAVE CREDIT XOT APPLY.-
2. Section 650l(m) is amended hy inserting "45S(h),"

17 after "45H(g-),".

1. (3) CLERICAL AMENDMENT.-The table of sec-
2. tions for subpart D of part IV of subehapter A of
3. chapter 1 is amended by adding at the end the fol-
4. lowing new item:

"Sec. 45S. Employer credit for paid famil · aurl medical leaYe.".

1. (e) EFFECTIYE DATE.-The amendments made by
2. this section shall apply to wages paid in taxable years be-
3. ginning after Dccemhcr 31, 2017.

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* 1. **Subpart B-Provisions Relating to Low-income**
  2. **Housing Credit**
  3. **SEC. 13411. TREATMENT OF VETERANS' PREFERENCE AS**
  4. **NOT VIOLATING GENERAL PUBLIC USE RE-**
  5. **QUIREMENTS.**
  6. (a) IN GENERAL.-Subparagraph (C) of section
  7. 42 (g)( 9) is amended to read as follows:
  8. '' (C) who are veterans of the Armed
  9. Forces.".
  10. (b) EFFECTf\"E DATE.-The amendment made by
  11. this section shall apply to buildings placed in service be-
  12. fore, on, or after the date of the enactment of this Act.
  13. **SEC. 13412. INCREASE IN CREDIT FOR CERTAIN RURAL**
  14. **HOUSING.**
  15. (a) Ix GENERAL.-Seetion 42(d)(5)(B) 1s amended
  16. by adding at the end the following new clause:
  17. "(vi) CERT...UX NEW BUILDINGS IN
  18. RFRAL AREAS.-For purposes of clause (i),
  19. a huilding descrihed m suhsection
  20. (b)(l)(B)(i) which is located in a rural
  21. area (as defined in section 520 of the
  22. Housing Act of 1949) shall be treated in
  23. the same manner as a *new* building located
  24. in a difficult development area which is
  25. designated for purposes of this subpara­
  26. graph.".

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* + 1. (h) o ,FSET.-Scction 42(d)(5)(B)(i) is amended hy
    2. striking "130 perecnt" both plaees it appears in sub-
    3. clauses (I) and (II) and inserting "125 percent".
    4. (e) E1,,1,,ECTIYE DATE.-The amendments made by
    5. this section shall apply to buildings placed in service after
    6. the date of the enactment of this Act.
    7. PART VI-PROVISIONS RELATED TO SPECIFIC
    8. **ENTITIES AND INDUSTRIES**
    9. **Subpart A-Partnership Provisions**
    10. **SEC. 13501. TREATMENT OF GAIN OR LOSS OF FOREIGN**
    11. **PERSONS FROM SALE OR EXCHANGE OF IN-**
    12. **TERESTS IN PARTNERSHIPS ENGAGED IN**
    13. **TRADE OR BUSINESS WITHIN THE UNITED**
    14. **STATES.**
    15. (a) IN GENERAL.-Section 864(c) 1s amended by
    16. adding at the end the following:
    17. "(8) GAIN OR LOSS OF FOREIGN PERSONS
    18. FROM SALE OR EXCHANGE OF CERTAIX PARTNER-
    19. SllIP INTEHESTS.-
    20. **"(A)** IN GENERAL.-Notwithstanding any
    21. other provision of this suhtitlc, if a nonresident
    22. alien individual or foreign eorporation owns, di-
    23. rectly or indirectly, an interest in a partnership
    24. whieh is engaged in any trade or business with-
    25. in the United States, gain or loss on the sale

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1. or Pxchang·e of all (or any portion of) such in-
2. terest shall be treated as effectiYely connected
3. with the conduct of such trade or business to
4. the extent such gain or loss docs not PxcPed the
5. amount determined under subparagraph (B).
6. "(B) AMOUNT TREATED AS EF..,PECTIVELY
7. COXXECTED.-The amount determined under
8. this subparagraph with respect to any partner­
9. ship interest sold or ext hanged-
10. " (i) in the case of any gam on the
11. sale or exchange of the partnership inter­
12. est' is-
13. "(I) the portion of the partner's
14. distributive share of the amount of
15. gain which would have been effectively
16. connected with the conduct of a trade
17. or business within the United States
18. if the partnership had sold all of its
19. assets at their fair market value as of
20. the date of the sale or exchange of
21. such interest, or
22. "(II) zero if no gam on such
23. deemed sale would have been so effec­
24. tively connected, and

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1. "(ii) in tlw case of any loss on the
2. sale or exchang·e of the partnership inter­
3. est, is-
4. "(1) the portion of the partner's
5. distributive share of the amount of
6. loss on the deemed sale described m
7. clause (i)(I) which would have been so
8. effectiYely connected, or
9. "(II) zero if no loss on such
10. deemed sale would be have been so ef­
11. fectively connected.
12. For purposes of this subparagraph, a part­
13. ner's distributiYe share of gain or loss on
14. the deemed sale shall be determined in the
15. same manner as such partner's distributive
16. share of the non-separately stated taxable
17. income or loss of such partnership.
18. "(C) COORDINATION WITH UNITED STATES
19. REAL PIWPEWrY IX'rEHES'rS.-If a partnership
20. described in subparagraph (A) holds any United
21. States real property interest (as defined in sec­
22. tion 897(( )) at the time of the sale or exchange
23. of the partnership interest, then the gain or loss
24. treated as effectively connected income under
25. subparagraph (A) shall be reduced by the

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1. amount so treated with respect to such United
2. States real property interest under section 897.
3. **"(D)** SALE OR EXCILlXGE.-For purposes
4. of this paragraph, an individual or eorporation
5. shall be treated as haYing sold or exchanged
6. any interest in a partnership if, under any pro-
7. vision of this subtitle, g·ain or loss is realized
8. from the sale or exchange of such interest.
9. "(E) SECIU£'r.AIUAL Al:TIIOIU'rY.-The See-

lO retary shall prescribe such regulations as the

1. Secretary determines appropriate for the appli-
2. eation of this paragTaph, including regulations
3. which prmi.de that, notwithstanding subpara-
4. graph (D), this paragraph applies in a ease
5. even if gain or loss from a sale or exchange
6. would not he realized under any other provision
7. of this subtitle.".
8. (b) "\\TITHHOLDING REQrIRE:\IENTS.-Section 1446
9. is amended by redesiguating subseetion (f) as subseetion
10. (g) and by inserting after subsection (e) the following:
11. " (f) SPECL\L RCLES FOR \YITHHOLDING ON SALES
12. OF P ARTKERSHIP lNTERESTS.-
13. "(1) Ix GENERAL.-Except as provided in this
14. subseetion, if any portion of the gain (if any) ou any
15. disposition of an interest in a partnership would be

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1. treated under section 864(c)(8) as effectively con-
2. neeted with the condnct of a trade or business with-
3. in the United States, the transferee shall be required
4. to deduct and withhold a tax equal to 10 percent of
5. the amount realized on the disposition.
6. "(2) EXCEPTIOX IF XON ,OREIGN AFFIDAVIT
7. **FURNISHED.-**
8. "(A) Ix GENERAL.-No person shall be re-
9. quired to deduct and withhold any amount
10. under paragraph (1) with respect to any dis-
11. position if the transferor furnislws to the trans-
12. feree an affidavit by the transferor stating,
13. under penalty of perjury, the transferor's
14. United States taxpayer identification number
15. and that the transferor is not a foreign person.
16. **''(B) FALSE AFFIDAVIT.-Suhparagraph**
17. (A) shall not apply to any disposition if-
18. "(i) the transferee has actual knowl-
19. edge that the affidavit is false, or the
20. transferee receives a notice (as described in
21. section 1445(d)) from a transferor's agent
22. or transferee's ag·ent that such affidavit or
23. statement is false, or
24. "(ii) the Secretary by regulations re-
25. quires the transferee to furnish a copy of

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1. such affidavit or statement to the Sec-
2. retary and the transferee fails to fnrnish a
3. copy of such affidavit or statement to the
4. Seeretary at sueh time and in such manner
5. as required by such regulations.
6. " (C) RULES 1',0R AGEXTS.-The rules of
7. section 1445(<l) shall apply to a transferor's
8. agent or transferee's agent with respect to any
9. affidavit deseribed in subparagraph (A) in the
10. same manner as such rules apply with respect
11. to the disposition of a U nitcd States real prop-
12. erty interest under such section.
13. "(3) AUTHORITY OF1 SECRETARY TO PRESCRIBE
14. REDUCED Ai.l\IOL'NT.-At the request of the traus-
15. feror or transferee, the Secretary may prescribe a
16. reduced amount to he withheld under this section if
17. the Secretary determines that to substitute such re-
18. duced amount will not jeopardize the collection of
19. the tax imposed under this title with respect to gain
20. treated under section 864(c)(8) as effectively con-
21. m cted with the conduct of a trade or business with
22. in the Unite<l States.
23. " (4) PARTXERSHIP TO \VlTHHOLD A.:\IOCXTS
24. :\'OT \VITHHEJ D BY THE TRANSFEREE.-lf a trans-
25. feree fails to withhold any amount required to be

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1. withheld under paragraph (1 ), the partnership shall
2. be required to dednet and withhold from distribu-
3. tions to the transferee a tax in an amount equal to
4. the amount the transferee failed to withhold (plus
5. interest under this title on such amount).
6. "(5) DEFINITIONS.-Any term used in this suh-
7. seetion whieh is also used under section 1445 shall
8. haYe the same meaning as when used in such sec-
9. tion.
10. "(6) REGt'LATIO s.-The Secretary shall pre-
11. scrihc such regulations as may he necessary to carry
12. out the purposes of this subsection, inelmling- regula-
13. tions providing for exceptions from the provisions of
14. this subseetion.".
15. (c) E .,FECTIYE DATE.-The amendments made by
16. this section shall apply to sales and exchanges on or after
17. NoYember 27, 2017.
18. **SEC. 13502. MODIFY DEFINITION OF SUBSTANTIAL BUILT-IN**
19. **LOSS IN THE CASE OF TRANSFER OF PART-**
20. **NERSHIP INTEREST.**
21. (a) IN GENERAL.-Paragraph (1) of section 748(d)
22. is to read as follows:
23. "(1) Ix GEXERAL.-For purposes of this sec-
24. tion, a partnership has a substantial built-in loss

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1. with respect to a transfer of an interest in the part-
2. nership if-
3. **"(A)** the partnership's adjusted basis in
4. the partnership property exeeeds by more than
5. $250,000 the fair market value of such prop-
6. erty, or
7. **"(B)** the transferee partner would be allo-
8. cated a loss of more than $250,000 if the part-
9. nership assets were sold for eash equal to their
10. fair market value immediately after such trans-
11. fer.".
12. (b) EFFECTIVE DATE.-The amendments made by
13. this section shall apply to transfers of partnership inter-
14. ests after Deeernber 81, 2017.
15. **SEC. 13503. CHARITABLE CONTRIBUTIONS AND FOREIGN**
16. **TAXES TAKEN INTO ACCOUNT IN DETER­**
17. **MINING LIMITATION ON ALLOWANCE OF**
18. **PARTNER'S SHARE OF LOSS.**
19. (a) IN GENEHAL.-Subscetion (d) of seetion 704 1s
20. amended-
21. (1) hy striking "A partner's distributive share"
22. and inserting the following-:
23. "(1) IN GEXERAL.-A partner's distributive
24. share'',

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* 1. (2) hy striking "Any excess of such loss" and
  2. inserting the following:
  3. "(2) CARRYOVER.-Any excess of such loss",
  4. and
  5. (8) by adding at the end the following new
  6. paragraph:
  7. "(3) SPECIAL RFLES.-
  8. "(A) Ix GENERAL.-ln determining the
  9. amount of any loss under paragraph (1), there
  10. shall be taken into account the partner's dis-
  11. trihutive share of amounts descrihed m para-
  12. g-raphs (4) and (6) of section 702(a).
  13. "(B) EXCEPTIOX.-ln the case of a chari-
  14. table eontribution of property whose fair mar-
  15. ket value exceeds its ac\justed basis, subpara-
  16. graph (A) shall not apply to the extent of the
  17. partner's distributive share of such exeess.".
  18. (b) E:F,FECTIVE DATE.-The amendments made by
  19. this seetion shall apply to partnership taxable years begin-
  20. ning after December 81, 2017.

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* + 1. **Subpart B-Insurance Reforms**
    2. **SEC. 13511. NET OPERATING LOSSES OF LIFE INSURANCE**
    3. **COMPANIES.**
    4. (a) IN GENERAL.-Section 805(h) is aimmded hy
    5. striking paragraph (4) an<l by rPdesignating paragraph
    6. (5) as paragraph (4).
    7. (b) CONFORMING AMENDMENTS.-
    8. (1) Part I of subchapter L of chapter 1 is
    9. amended hy striking section 810 (and hy striking
    10. the item relating to such section in the table of se( -
    11. tions for such part).
    12. (2)(A) Part III of subchapter L of chapter 1 is
    13. amended by striking section 844 (and by striking
    14. the item relating to such section in the tahle of sec-
    15. tions for such part).
    16. (B) Section 8:31 (b)(3) 1s amended by striking
    17. "except as provided in section 844,"
    18. (3) Section :381 is amended by striking sub-
    19. section (d).
    20. (4) Section 805(a)(4)(B)(ii) is amen<le<l to read
    21. as follows:
    22. "(ii) the deduction allowed under sec- 23 tion 172,".

1. (5) Section 805(a) is amended hy striking para-
2. gTaph (5).

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* 1. (6) Section 805(h)(2)(A)(iY) is amended to read
  2. as follows:
  3. '' (iY) any net operating loss carryback
  4. to the taxable year under seetion **1**72,
  5. and".
  6. (7) Section 95:3(h)(l)(B) is amended to read as
  7. follows:
  8. "(B) So much of section 805(a)(8) as re-
  9. lates to the deduetion allowed under section 10 172.".

1. (8) Section 1351(i)(3) is amended hy striking
2. "or the operations loss deduction under section 13 810,".
3. (e) EI•,PEcrl'IYE DATK-The amendments made by
4. this section shall apply to losses arising in taxable years
5. heginning after DecPmher 31, 2017.
6. **SEC. 13512. REPEAL OF SMALL LIFE INSURANCE COMPANY**
7. **DEDUCTION.**
8. (a) IN GENEIWJ.-Part I of subehapter L of ehapter
9. 1 is amended by striking section 806 (and by striking the
10. item relating to such section in the tahlP of sections for
11. sueh part).
12. (b) CONFORMING k\rnNDMENTS.-
13. (1) Scetion 453B(e) is amended-

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* 1. (A) hy striking " ( as defined in section
  2. 806(b)(3))" in paragraph (2)(B), and
  3. (B) by adding at the end the following new
  4. paragraph:
  5. "(:3) NONINSFRANCE BFSINESS.-
  6. " (A) IN GENERAL.-For purposes of this
  7. snbseetion, the term 'nonimmrance business'
  8. means any activity which is not an msurance
  9. business.
  10. "(B) CERTAIN ACTIYITIES TREATED AS IN­
  11. SU CE BUSINESSES.-For purposes of suh­
  12. parag-raph (A), any activity which is not an in­
  13. surance business shall be treated as an insur­
  14. anec business if-
  15. " (i) it is of a type traditionally carried
  16. on hy life insurance companies for inw st­
  17. ment purposes, but only if the earrying on
  18. of such activity (other than in the case of
  19. real estate) docs not eonstitutc the a( tiw
  20. conduct of a trade or business, or
  21. "(ii) it involYcs the performance of ad­
  22. ministrative serviees in conneetion with
  23. plans providing life insurance, pens10n, or
  24. accident and health benefits.".

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* + 1. (2) Section 465(c)(7)(D)(Y)(II) is amended hy
    2. striking· "section 806(b)(3)" and inserting "seetion 3 453B(e)(3)".

1. (3) Section 801 (a)(2) 1s amended by striking
2. subparagraph (C).
3. (4) Section 804 is amended hy striking
4. "means-" and all that follows and inserting-
5. "means the general deductions provided in section

**9** 805.".

1. (5) Section 805(a)(4)(B), as amended by this
2. Act, is amended hy striking clause (i) and hy rcdes-
3. ignating clauses (ii), (iii), and (iv) as clauses (i), (ii),
4. and (iii), respectively.
5. (6) Seetion 805(b)(2)(A), as amended by this
6. Act, is amended by striking clause (iii) and by redes-
7. ignating clauses (iv) and (v) as clauses (iii) and (iv),
8. respectiYely.
9. (7) Section 842(c) is amended by striking para-
10. gTaph (1) and by rPdesignating paragraphs (2) and
11. (:3) as paragraphs (1) and (2), respectively.
12. (8) Section 953(b)(l), as amended by section
13. 13511, is amended by striking subparagraph (A)
14. and hy redesignating suhparagraphs (B) and (C) as
15. subparagTaphs (A) and (B), respectively.

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1. (c) EFFECTIYE DATE.-The amendments made hy
2. this section shall apply to taxable years beg-inning- after 3 December 31, 2017.
3. **SEC. 13513. ADJUSTMENT FOR CHANGE IN COMPUTING RE-**
4. **SERVES.**
5. (a) IN GENERAL.-Paragraph (1) of section 807(f)
6. is amended to rea<l as follows:
7. **"(1)** TREATMENT AS CHANGE IN METHOD OF
8. ACCOUNTING.-If the basis for determining any item
9. referred to in subsection (c) as of the close of any
10. taxable year differs from the ha.sis for such deter-
11. mination as of the elose of the preceding· taxable
12. year, then so much of the difference between-
13. "(A) the amount of the item at the close
14. of the taxable year, computed on the new basis,
15. and
16. "(B) the amount of the item at the close
17. of the taxable year, computed on the old basis,
18. as is attributable to contracts issued before the tax-
19. able year shall be taken into account under section
20. 481 as adjustments attrihutahle to a change in
21. method of accounting initiated by the taxpayer and
22. made with the consent of the Secretary.".

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1. (h) EFFECTIVE DATE.-The amendments made hy
2. this seetion shall apply to taxable years beg-inning· after

3 December 31, 2017.

1. **SEC. 13514. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS**
2. **TO SHAREHOLDERS FROM PRE-1984 POLICY-**
3. **HOLDERS SURPLUS ACCOUNT.**
4. (a) IN GENERAL.-Subpart D of part I of snbchapter
5. **L** is amended by striking section 815 (and by striking the
6. item relating to sueh seetion in the table of seetions for
7. such subpart).
8. (h) CONFORMIXG A.'1:ENDMENT.-Section 801 IS
9. amended by striking subsection (c).
10. (c) EFFECTIVE DATE.-The amendments made by
11. this seetion shall apply to taxable years beginning after

15 December 31, 2017.

1. (d) PIL\SED lXCLUSION OF RE:\IAIXING BALANCE OF,
2. POLICYHOLDERS SURPLUS ACCOFNTS.-ln the case of
3. any stock life insurance company which has a balance (de-
4. termined as of the dose of sueh company's last taxable
5. year beginning before January 1, 2018) in an existing pol-
6. icyholdcrs surplus account ( as defined in section 815 of
7. the Internal Revenue Code of 1986, as in effoet before
8. its repeal), the tax imposed by section 801 of such Code
9. for the first 8 taxable years beginning after December 31,

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1. 2017, shall he the amount which would he imposed hy
2. such section for such year on the sum of-
3. (1) life insurance company taxable mcome for
4. such year (within the meaning of such section 801
5. but not less than zero), plus
6. (2) 1/ 8 of such balance.
7. **SEC. 13515. MODIFICATION OF PRORATION RULES FOR**

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**PROPERTY AND CASUALTY INSURANCE COM­ PANIES.**

1. IN GEXERAL.-Section 882(b)(5)(B) 1s amend-
   1. by striking "15 percent" and inserting "the applicable percentage", and
   2. by inserting at the end the following new sentence: "For purposes of this subparagraph, the applicable percentage is 5.25 percent diYided by the highPst rate in effect under section 11 (b).".
2. EFFECTIVE DATE.-The amendments made by section shall apply to taxable years beginning aner

20 December 81, 2017.

1. **SEC. 13516. REPEAL OF SPECIAL ESTIMATED TAX PAY-**
2. **MENTS.**
3. (a) Ix GEXERAL.-Part III of subchapter L of chap-
4. ter 1 is amended by striking section 847 (and by striking

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1. the item relating to such section in the table of sections
2. for such part).
3. (b) EFFECTIVE DATE.-The amendments made by
4. this section shall apply to taxable years beginning after 5 December 31, 2017.
5. **SEC. 13517. COMPUTATION OF LIFE INSURANCE TAX RE-**
6. **SERVES.**
7. (a) IN GENERAL.-
8. (1) COMPUTATION OF RESERVES.-Section
9. 807(c) is amended to read as follows:
10. "(c) ITEMS INl*q* T"O ACCOUNT.-The items re­
11. ferred to in subsect10ns nd (b) are as follows-
12. '' (1) The life insurance reserves (as defined in
13. section 816(b) ).
14. "(2) The unearned premiums and unpaid losses
15. included in total reserves under section 816(c) (2).
16. "(3) The amounts (discounted at the appro-
17. priate rate of interest) necessary to satisfy the obli-
18. gations under insurance and annuity contracts, but
19. only if such obligations do not involve (at the time
20. with respect to which the computation is made under
21. this paragraph) life, accident, or health contin-
22. gencies.

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* 1. '' (4) DiYidend accumulations, and otlwr
  2. amounts, held at interest in connection with msur-
  3. ance and annuity contracts.
  4. " (5) Premiums rcecivcd m advanec, and liabil-
  5. ities for premium deposit funds.
  6. '' (6) Reasonable special contingency reserves
  7. under eontraets of group term life insurance or
  8. group accident and health insurance which are es-
  9. tablished and maintained for the provision of insur-
  10. ance on retired liYes, for premium stabilization, or a
  11. cmnhination thereof.
  12. Por purposes of paragraph (3), the appropriate rate of
  13. interest is the highest rate or rates permitted to be used
  14. to diseount the oblig·ations by the Xational Assoeiation of
  15. Insurance Commissioners as of the date the reserve is de-
  16. termined. In no case shall the amount determined under
  17. paragraph (3) for any contract be less than the net sur-
  18. render value of such contract. Por purposes of paragraph
  19. (2) and seetion 805(a)(l), the amount of the unpaid losses
  20. (other than losses on life insurance contracts) shall be the
  21. amount of th<.} discounted unpaid losses as defined in sec-

22 tion 846.".

1. (2) Section 807(d) is amended-
2. (A) by striking- paragTaphs (1), (2), (4),

25 and (5),

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1. (B) hy redesig·nating paragraph (6) as
2. paragraph (4),
3. (C) by inserting before paragraph (3) the
4. following new paragraphs:
5. "(l) DETER:\IIXATIOX OF RESERVE.-
6. " (A) IN GENERAL.-:B-,or purposes of this
7. part (other than section 816), the amount of
8. the life insurance reserves for any contract
9. (other than a contract to which subparagraph
10. (B) applies) shall be the greater of-
11. " (i) the net surrender value of such
12. contract, or
13. "(ii) 92.87 percent of the reserve de­
14. termined under paragraph (2).
15. " (B) VARIABLE CONTRACTS.-Por pur­
16. poses of this part (other than section 816), the
17. amount of the life insurance reserves for a vari­
18. able contract shall be equal to the sum of-
19. " (i) the greater of-
20. "(I) the net surrender value of
21. such contract, or
22. "(II) the portion of the reserve
23. that is separately accounted for under
24. section 817, plus

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1. "(ii) 92.87 percent of the excess (if
2. any) of the reserve determined under para-
3. graph (2) over the amount in clause (i).
4. "(C) STATtTTOiff CAP.-ln no event shall
5. the reserves determined under subparagraphs
6. **(A)** or (B) for any contract as of any time cx-
7. eeed the amount which would be taken into ae-
8. count with respect to such contract as of such
9. time in determining statutory reserves (as de-
10. fined in paragraph (4) ).
11. "(2) filIOUXT OF RESERVE.-The amount of
12. the reserve determined under this parag-raph with
13. respect to any contract shall be determined by using
14. the tax reserve method applieable to sueh eontraet.",
15. (D) by striking "(as of the date of
16. issuance)" in paragraph (:3)(A)(iv)(I) and m-
17. serting· " (as of the date the reserYe is deter-
18. mined)",
19. (E) by striking "as of the date of the
20. issuance of'' in paragraph (8)(A)(iv)(II) and in-
21. serting "as of the date the reserve is deter-
22. mined for'',
23. (F) by striking "in effect on the date of
24. the 1ssuanee of the eontraet" in paragraph
25. (:3)(B)(i) and inserting '·applicable to the con-

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1. tract and in effect as of tlw date the reserve is
2. determined'', and
3. (G) by striking "in effect on the date of
4. the issuanee of the eontraet" in paragraph
5. (;3)(B)(ii) and inserting "applicable to the con­
6. tract and in effect as of tlw date the reserve is
7. determined''.
8. (3) Section 807(e) is amended-
9. (A) by striking paragraphs (2) and (5),
10. (B) by redesignating paragraphs (3), (4), 11 (6), and (7) as paragraphs (2), (:3), (4), and
11. (5), respectively,
12. (C) by amending paragraph (2) (as so re­
13. designated) to read as follows:
14. **"(2) QUALIFIED SFPPLE:MENTAL BENEFITS.-**
15. " **(A) QUALIFIED SL'"PPLEMENTAL BEXE­**
16. FITS TREATED SEPARATELY.-For purposes of
17. this part, the amount of the life insurance re­
18. serve for any qualified supplemental benefit
19. shall be computed separately as though such
20. hcnefit were under a separate contract.
21. **"(B) QUALIFIED SPPPLEMENTAL BEN­**
22. EFIT.-For purposes of this paragraph, the
23. term 'qualified supplemental benefit' means any

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1. supplemental henefit descrihed in suhparagraph
2. (C) if-
3. "(i) there is a separately identified
4. premium or eharge for sueh benefit, and
5. '' (ii) any net surrender value under
6. the contract attrihutahle to any other ben-
7. efit is not aYailable to fund such benefit.
8. " (C) SUPPLEJIEXTAL BEXEFITS.-For
9. purposes of this paragraph, the supplemental
10. benefits described in this subparagraph are
11. any-
12. "(i) g11aranteed immrability,
13. "(ii) accidental death or disability
14. benefit,
15. '' (iii) convertibility,
16. "(iv) disability waiver benefit, or
17. "(v) other benefit prescribed by regu-
18. lations,
19. whieh is supplemental to a eontraet for which
20. there is a reserve described in subsection (c).",
21. and
22. (D) by adding at the end the following new
23. paragraph:
24. "(6) REPORTING RULES.-Thc Secretary shall
25. require reporting (at such time and in such manner

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1. as the Secretary shall prcscrihe) with respect to the
2. opening· balance and closing balance of reserves and
3. with respect to the method of computing reserves for
4. purposes of determining income.".
5. (4) Section 7702 is amended-
6. (A) hy striking clause (i) of suhsection
7. (c)(3)(B) and inserting the following·:
8. " (i) reasonable mortality charges
9. which meet the requirements prescribed in
10. regulations to be promulgated by the Sec-
11. retary or that do not exceed tlw mortality
12. charges specified in the prevailing commis-
13. sioners' standard tables as defined in sub-
14. section (f)(I0)," and
15. (B) by adding at the end of subsection (f)
16. the following new paragraph:
17. "(10) PREVAILING COM IISSIOXERS' STA.."\'"DARD
18. TABLES.-For purposes of subsection (c)(:J)(B)(i),
19. the term 'prcYailing commissioners' standard tables'
20. means the most recent commissioners' standard ta-
21. hlcs prcscrihed hy the National Association of Insur-
22. ance Commissioners which are permitted to be used
23. in computing reserves for that type of contract
24. under the insurance laws of at least 26 States when
25. the contract was issued. If the prevailing commis-

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1. sioncrs' standard tahlcs as of the beginning of any
2. calendar year (hereinafter in this parag-raph referred
3. to as the 'year of change') are different from the
4. prevailing commissioners' standard tables as of the
5. beginning of the preceding calendar year, the issuer
6. may use the prevailing commissioners' standard ta-
7. bles as of the beg·inning· of the preceding calendar
8. year ·with respect to any contract issued after the
9. change and before the dose of the 3-year period be-
10. ginning on the first day of the year of change.".
11. **(h) CONFORMI G filIEXDMEXTS.-**
12. (1) Section 808 is amended by adding- at the
13. end the following new subsection:
14. "(g) PHEVAILIXG Srl'Nl'E ASSUl\rnD lWl'EHES1'
15. RATE.-For purposes of this subchapter-
16. "(1) IN GEXERAL.-Tlw term 'prevailing State
17. assumed interest rate' means, with respect to any
18. contract, the highest assumed interest rate per-
19. mittcd to be used in t omputing life insurance re-
20. serves for insurance contracts or annuity contracts
21. (as the case may he) under the insurance laws of at
22. least 26 States. For purposes of the preceding· sen-
23. tence, the effect of nonforfeiture laws of a State on
24. interest rates for resern s shall not be taken into ae-
25. count.

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* 1. "(2) \VHE RATE DETERMINED.-The pre-
  2. vailing State assumed interest rate with respect to
  3. any contract shall be determined as of the beginning
  4. of ·the calendar year in which the contract was
  5. issued.".
  6. (2) Paragraph (**1)** of section 811(d) is amended
  7. Ly striking "tht1 greater of the prevailing State as-
  8. sumed interest rate or applicable Federal interest
  9. rate in effect under section 807'' and inserting "the
  10. interest rate in effect under section 808(g)".
  11. (3) Suhparagraph (A) of section 846(f)(6) IS
  12. amended by striking: "except that" and all that fol-
  13. lows and inserting "except that the limitation of
  14. subsection (a)(3) shall apply, and".
  15. (4) Subparagraph (B) of section 954(i)(5) IS
  16. amended hy striking "shall apply, and".
  17. (c) EFFECTIVE DATE.-
  18. (1) IN GEXERAL.-The amendments made by
  19. this section shall apply to taxable years beginning
  20. after December 31, 2017.
  21. (2) TRANSITION RULE.-For the first taxahle
  22. year beginning after December 31, 2017, tlw reserve
  23. with respect to any contract (as determined under
  24. section 807(d)(2) of the Internal Revenue Code of
  25. 1986) at the end of the preceding taxable year shall

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1. he determined as if the amendments made hy this
2. seetion had applied to such reserve in such preceding·
3. taxable year.
4. (3) 'r1uNSITION HELIEP.-
5. (A) Ix GEXERAL.-If-
6. (i) the reserve determined under scc-
7. tion 807(d)(2) of the Internal Revenue
8. Code of 1986 (determined without regard
9. to the amendments made by this section)
10. with respect to any contract as of the close
11. of the year preceding the first taxahle year
12. beg·inning· after December 31, 2017, differs
13. from
14. (ii) the reserve which would have been
15. determined with respect to such contract
16. as of the close of such taxa hle year under
17. such section determined without regard to
18. paragraph (2),
19. then the difference between the amount of the
20. reserve described in clause (i) and the amount
21. of the reserve descrihed in clause (ii) shall he
22. taken into account under the method provided
23. in subparagraph (B).
24. (B) METHOD.-The method provided m
25. this subparagraph is as follows:

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16 **SEC. 13518.**

1. If the amount determined under subparagraph **(A)(i)** exeeeds the amount determined under subparagraph **(A)(ii),** 1/

8 of sueh exeess shall be taken into ae­ count, for each of the 8 succeeding taxable years, as a deduction under section 805(a)(2) or 832(e)(4) of sneh Code, as applicable.

1. If the amount determined under subparagraph (A)(ii) exceeds the amount determined under subparagraph (A)(i), 1/8 of such excess shall be included in gross in­ come, for each of the 8 succeeding taxable years, under seetion 803(a)(2) or 832(b)(l)(C) of such Code, as applicable.

**MODIFICATION OF RULES FOR LIFE INSUR-**

1. **ANCE PRORATION FOR PURPOSES OF DETER-**
2. **MINING THE DIVIDENDS RECEIVED DEDUC-**
3. **TION.**
4. (a) IN GENERAL.-Section 812 is amended to read
5. as follows:
6. **"SEC. 812. DEFINITION OF COMPANY'S SHARE AND POLICY-**
7. **HOLDER'S SHARE.**
8. "(a) COMP.A. Y'S SILIBE.-For purposes of section
9. 805(a)( 4), the term 'company's share' means, with respect

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1. to any taxahle year heginning after Decemher :31, 2017,
2. 70 percent.
3. "(b) POLICYHOLDER'S SHARE.-For purposes of sec-
4. tion 807, the term 'policyholder's share' means, ,vith re-
5. spect to any taxable year beginning after December :31,
6. 2017, ao percent.".
7. (b) CONFORl\HNG AMEND:\1EXT.-Section 817A(e)(2)
8. is amended by striking", 807(d)(2)(B), and 812" and in-

9 serting "and 807(d)(2)(B)".

1. (c) EFFECTIYE DATE.-The amendments made by
2. this section shall apply to taxable years heginning after

12 December 31, 2017.

1. **SEC. 13519. CAPITALIZATION OF CERTAIN POLICY ACQUISI-**
2. **TION EXPENSES.**
3. (a) I GEXERAL.-
4. (1) Section 848(a)(2) 1s amended hy striking
5. "120-month" and inserting "180-month".
6. (2) Section 848(c)(l) is amended by striking
7. "1. 75 percent" and insertjng "2 .1 percent".
8. (8) Section 848(c)(2) is amended by striking
9. "2.05 percent" and inserting "2.46 percent".
10. (4) Section 848(c)(3) is amended by striking·
11. "7. 7 percent" and inserting "9.24 percent".

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1. (h) CONF'ORMIXG AfIENDl\IEXTS.-Scction 848(h)(1)
2. is amended by striking "120-month" and inserting "180-
3. month".
4. (e) EF1 F E C'rI VE DATE.-
5. (1) IN GENERAL.-The amendments made by
6. this section shall apply to net premiums for taxahle
7. years beginning· after De( ember 31, 2017.
8. (2) TRAXSITION RULE.-Specified policy acqui-
9. sition expenses first required to be eapitalized in a
10. taxable year beginning before January 1, 2018, will
11. continue to he allowed as a deduction ratahly over
12. the 120-month period beg·inning with the first month
13. in the second half of such taxable year.
14. **SEC. 13520. TAX REPORTING FOR LIFE SETTLEMENT**
15. **TRANSACTIONS.**
16. (a) Ix GEXERAL.-Suhpart B of part III of suh-
17. chapter A of chapter 61, as amended by section 13306,
18. is amended by adding at the end the following new section:
19. **"SEC. 6050Y. RETURNS RELATING TO CERTAIN LIFE INSUR-**
20. **ANCE CONTRACT TRANSACTIONS.**
21. "(a) REQUIRK.\1ENT OF REPORTIXG OF CERTAIX
22. PAYMENTS.-
23. "(1) IN GENERAL.-EYery person who acquires
24. a life insuranee eontraet or any interest in a life in-
25. surance contract in a reportable policy sale during

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1. any taxable year shall make a return for such tax-
2. able year (at such time an<l in such mannt1r as the
3. Secretary shall prescribe) setting forth-
4. **"(A)** the name, address, and **T1IN** of such
5. person,
6. "(B) t,l*w* name, adclrcss, aml TIN of' cach
7. recipient of payment in the reportable policy
8. sale,
9. "(C) the date of such sale,
10. "(D) the name of the issuer of the life in-
11. surancc contract sold and tlw policy numhcr of
12. snch contract, and
13. "(E) the amount of each payment.
14. "(2) SrrNrEME T 1'0 BE F1 Ul{ ISII E D 1'0 PEH-
15. SOXS "1:TH RESPECT TO "1:IOJI INFOR:\IATIOX IS RE-
16. QUIRED.-Every person required to make a return
17. un<ler this subsection shall furnish to each person
18. whose name is required to be set forth in such re-
19. turn a written statement showing-
20. "(A) the name, address, and phone num-
21. her of the information contact of the person re-
22. quire<l to make such return, an<l
23. "(B) the information required to be shown
24. on such return with respect to such person, ex-
25. cept that in the case of an issuer of a life insur-

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1. ance contract, such statement is not required to
2. include the information specified in paragraph

3 (l)(E).

1. "(b) HEQUIHID1ENT OP REPOWrING OP SELLER'S
2. BASIS IN LIFE INSCRANCE CONTRACTS.-
3. "(1) IN GENERAL.-Upon receipt of the state-
4. ment required under subsection (a)(2) or upon no-
5. tice of a transfer of a life insurance contract to a
6. foreign person, each issuer of a life insurance eon-
7. tract shall make a return (at such time and in such
8. manner as the Secretary shall prescribe) setting
9. forth-
10. "(A) the name, address, and TIN of the
11. seller who transfers any interest in such con-
12. tract in such sale,
13. '' (B) the investment in the contract (as dc-
14. fined in section 72(e) (6)) with respect to such
15. seller, and
16. " (C) the policy number of such contract.
17. "(2) STATEMENT TO BE FURNISHED TO PER-
18. SONS ·w1TH RESPECT TO WHOl\1 IX:B"'ORl\IATIOX IS RE-
19. Qr'IRED.-Every person required to make a return
20. under this subsection shall furnish to each person
21. whose name is required to be set forth in such re-
22. turn a written statement showing-



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* 1. **"(A)** the name, address, and phone mnn-
  2. ber of the information contact of the person re­
  3. quired to make such return, and
  4. **"(B)** the information required to be shown
  5. on such return with respect to each seller whose
  6. name is required to he set forth in such return.
  7. " (c) REQFIRE:\IEXT OF REPORTIXG WITH RESPECT
  8. **TO REPORTABLE DEATH BEXEFITS.-**
  9. "(1) Ix GENEIW.J.-Ew ry person who makes a
  10. payment of reportable death benefits during· any tax-
  11. able year shall make a return for such taxahle year
  12. (at such time and in such manner as the Secretary
  13. shall prescribe) setting forth-
  14. "(A) the name, address, and TIX of the
  15. person making such payment,
  16. '' (B) the. name, address, and TIN of each
  17. recipient of such payment,
  18. " (C) the date of each such payment,
  19. "(D) the gross amount of each such pay-
  20. ment, and
  21. "(E) such person's estimate of the invcst-
  22. ment in the contract (as defined in section
  23. 72(e) (6)) with respect to the buyer.
  24. "(2) STATEMENT TO BE FURNISHED TO PER-
  25. SONS "WITH RESPECT TO \VHOM INFORMATIOX IS RE-

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1. QVIRED.-Every person required to make a return
2. under this subsection shall furnish to each person
3. whose name is required to be set forth in such re-
4. turn a written statement showing-
5. **"(A)** the name, address, and phone num-
6. her of the information contact of the person re-
7. quired to make such return, and
8. "(B) the information required to be shown
9. on such return with respect to each recipient of
10. payment whose name is required to be set forth
11. in such return.
12. "(d) DEFINITIONS.-For purposes of this section:
13. "(1) PADIENT.-The term 'payment' means,
14. with respect to any reportable policy sale, the
15. amount of cash and the fair market Yalue of any
16. consideration transferred in the sale.
17. "(2) REPORTABLE POLICY SALE.-The term
18. 'reportable policy sale' has the meaning given such
19. term in section 10l(a)(:3)(B).
20. " (8) IssrER.-The term 'issuer' means any life
21. insurance company that hears the risk with respect
22. to a life insurance contract on the date any return
23. or statement is required to be made under this sec-
24. tion.

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* 1. "(4) REPORTABLE DEATH BE E -,ITS.-Thc
  2. term 'reportable death benefits' means amounts paid
  3. by reason of the death of the insured under a life
  4. insuranee eontraet that has been transferred in a re-
  5. portable policy sale.".
  6. (h) CLERICAL JUIEND:\IIENT .-The table of sections
  7. for subpart B of part III of subehapter A of chapter 61,
  8. as amended by section 13306, is amended by inserting
  9. after the item relating to seetion ti050X the following new
  10. item:

"8ec. 6050Y. Returns relating to certain life insurance contract transactions.".

* 1. (c) CONFOR:\IING Al\IENDME TS.-
  2. (1) Subseetion (d) of seetion 6724 1s amend-
  3. ed-
  4. (A) by striking "or" at the end of clause
  5. (xxiv) of paragraph (l)(B), by striking "and"
  6. at the end of clause (:x:xy) of such paragraph
  7. and inserting "or", and by inserting- after such
  8. clause (xxv) the following new clause:
  9. "( ) section 6050Y (relating to re-
  10. turns relating to certain life insurance con-
  11. tract transactions), and", and
  12. (B) by striking· "or" at the end of subpara-
  13. graph (HH) of paragraph (2), by striking the
  14. period at the end of subparagraph (II) of such
  15. paragraph and inserting ", or", and by insert-

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1. ing after such suhparagraph (II) the following
2. new subparag-raph:

3 **"(JJ)** subsection (a)(2), (b)(2), or (c)(2) of

1. seetion 6050Y (relating to returns relating to
2. certain life insurance contract transactions).''.
3. (2) Section 6047 is amended-
4. (A) by re<lesignating· subsection (g) as sub­
5. section (h),
6. (B) by inserting after subsection (f) the
7. following new subsection:
8. "(g) INFORl\IATIO RELATING TO LIFE INSL'RAXCE
9. CONTRACT TRANSACTIONS.-This section shall not apply
10. to any information which is required to he reported under
11. section 6050Y.", and
12. (C) by adding at the end of subsection (h),
13. as so redesignated, the following new para­
14. graph:
15. '' (4) For provisions requiring reporting of infor-
16. mation relating to certain life insurance contract
17. transactions, see section 6050Y.".
18. (d) EFFECTIVE DATE.-The amendments made by
19. this sedion shall apply to-
20. (1) reportable policy sales (as defined in section
21. 6050Y(d)(2) of the Internal RcYcnuc Code of 1986

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1 (as added hy suhscetion (a)) after Dcccmhcr :n,

2 2017' and

1. (2) reportable death benefits (as defined in sec­
2. tion 6050Y(d)(4) of sueh Code (as added by sub­
3. section (a)) paid after December :n, 2017.
4. **SEC. 13521. CLARIFICATION OF TAX BASIS OF LIFE INSUR-**
5. **ANCE CONTRACTS.**
6. (a) CLARIFICATIO WITH RESPECT TO ADJrST-
7. MENTS.-Paragraph (1) of section l0lo(a) is amended by
8. striking subparagraph (A) and all that follows and insert-
9. ing the following:
10. "(A) for-
11. '' (i) taxes or other carrymg charges
12. dcseribed in scetion 266; or
13. "(ii) expenditures described in section
14. 178 (relating to circulation expenditures),
15. for whieh deductions have been taken by the
16. taxpayer in determining taxable income for the
17. taxable year or prior taxable years; or
18. "(B) for mortality, expense, or other rea-
19. sonahle charges incurred under an annuity or
20. life insurance contract;".
21. (b) EFFECTIYE DATE.-The amendment made by
22. this seetion shall apply to transactions entered into after

25 August 25, 2009.

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1. **SEC. 13522. EXCEPTION TO TRANSFER FOR VALUABLE CON-**
2. **SIDERATION RULES.**
3. (a) IN GENERAL.-Subseetion (a) of seetion 101 is
4. amended by inserting after paragraph (2) the following
5. new paragraph:
6. "(3) EXCEPTION TO VA..IXABLE CONSIDERATION
7. RULES FOR COMMERCIAL TRANSFERS.-
8. "(A) IN GENERAL.-The seeond sentenee
9. of paragraph (2) shall not apply in the case of
10. a transfer of a life insurance contract, or any
11. interest therein, which is a reportable policy
12. sale.

13

"(B) REPORTABLE POLICY SALE.-For

1. purposes of this paragraph, the term 'reportable
2. policy sale' means the acquisition of an interest
3. in a life insurance contract, directly or indi­
4. rectly, if the acquirer has no substantial family,
5. business, or finaneial relationship with the in­
6. sured apart from the acquirer's interest in such
7. life insurance contract. :B--,or purposes of the pre­
8. ceding sentence, the term 'indirectly' applies to
9. the acquisition of an interest in a partnership,
10. trust, or other entity that holds an interest in
11. the life insurance contract.".

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* 1. (h) CONFORMING Al\1ENDMENT.-Paragraph **(1)** of
  2. section lOl(a) is amended by striking "paragraph (2)"
  3. and inserting "paragraphs (2) and (3)".
  4. (c) E,, r, 11 ECrrIYE DA'rE.-The amendments made by
  5. this section shall apply to transfers after December :31,

6 2017.

1. **Subpart C-Banks and Financial Instruments**
2. **SEC. 13531. LIMITATION ON DEDUCTION FOR FDIC PRE-**
3. **MIUMS.**
4. (a) IN GENERAL.-Section 162, as amended by sec-
5. tions 13:307 and 13308, is amended hy redesignating suh-
6. section (s) as subsection (t) and by inserting· after sub-
7. section (r) the following new subsection:
8. "(s) DISALLOWA. CE OP FDIC PHEMIVMS PAID BY
9. CERTAIN LARGE :B--,INAi'JCIAL INSTITrTIONS.-
10. "(1) IN GENERAL.-No deduction shall he al-
11. lowed for the applicable percentage of any FDIC
12. premium paid or incurred by the taxpayer.
13. "(2) EXCEP'rIOX l•,OH S IALL INSTITU'rIONS.-
14. Paragraph (1) shall not apply to any taxpayer for
15. any taxable year if the total consolidated assets of
16. such taxpayer (determined as of the close of such
17. taxable year) do not exceed $10,000,000,000.
18. "(3) APPLICABLE PERCENTAGE.-For purposes
19. of this subsection, the term 'applicable percentage'

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1. means, with respect to any taxpayer for any taxable
2. year, the ratio (expressed as a percentage but not
3. greater than 100 percent) which-
4. **"(A)** the excess of-
5. "(i) the total consolidated assets of
6. such taxpayer (determined as of the close
7. of such taxable year), over

8 "(ii) $10,000,000,000, bears to

**9 "(B)** $40,000,000,000.

1. "(4) FDIC PREMIUlVCS.-For purposes of this
2. suhsection, the term 'FDIC premium' means any as-
3. sessment imposed under section 7(b) of the Federal
4. Deposit Insurance Act (12 U.S.C. 1817(b)).
5. "(5) T10 T AL CONSOLIDNl'ED ASSETS.-For pur-
6. poses of this subsection, the term 'total consolidated
7. assets' has the meaning given such term under sec-
8. ti.on 165 of the Dodd-Frank \\Tall Street Reform and
9. Consumer Protection Act (12 U.S.C. 5365).
10. "(ti) AGGl{EGATION HCLE.-
11. "(A) Ix GENERAL.-Members of an ex-
12. paneled affiliated group shall he trPatcd as a
13. single taxpayer for purposes of applying· this
14. subsection.
15. "(B) EXPANDED .AFFILIATED GROUP.-

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* 1. "(i) IN GENERAL.-For purposes of
  2. this paragraph, the term 'expanded affili­
  3. ated group' means an affiliated group as
  4. defined in seetion 1504(a), dctcrmined-
  5. "(I) by substituting 'more than
  6. 50 percent' for 'at least 80 percent'
  7. eaeh place it appears, and
  8. "(II) without regard to para­
  9. graphs (2) and (3) of seetion 1504(b).
  10. "(ii) CONTROL OF :\"ON-CORPORATE
  11. ENTITIES.-A partnership or any other en­
  12. tity (other than a corporation) shall be
  13. treated as a member of an expanded affili­
  14. ated group if sueh entity is eontrollcd
  15. (within the meaning of section 954(d)(3))
  16. hy memhers of such group (including any
  17. entity treated as a member of such group
  18. by reason of this clause).''.
  19. (b) Er,,r,,ECTIVE DA'rr.J.-The amendments made by
  20. this section shall apply to taxable years beginning after
  21. Dcccmher :n, 2017.
  22. **SEC. 13532. REPEAL OF ADVANCE REFUNDING BONDS.**
  23. (a) IN GENERAL.-Paragraph (1) of section 149(d)
  24. is amended by striking "as part of an issue dcseribcd in

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1. paragraph (2), (3), or (4)." and inserting "to advance re-
2. fnnd another bond.''.
3. (b) CONFORMING A.v!ENDMENTS.-
4. (1) Section 14!l(d) is amended by striking para-
5. graphs (2), (3), (4), and (6) and by redesignating
6. paragraphs (5) and (7) as paragraphs (2) and (3).
7. (2) Section 148(f)(4)(C) is amended by striking·
8. clause (xiY) and by redesignating clauses (A'V) to
9. (xvii) as dauses (xiv) to ( i.).
10. (c) EFFECTf\"'E DATE.-The amendments made by
11. this section shall apply to advance refunding bonds issued
12. after December 31, 2017.
13. **SEC. 13533. COST BASIS OF SPECIFIED SECURITIES DETER-**
14. **MINED WITHOUT REGARD TO IDENTIFICA-**
15. **TION.**
16. (a) IN GEXERAL.-Section 1012 is amended hy add-
17. ing at the end the following new subsection:
18. " (e) COST BASIS OF SPECU-,IED SECrRITIES DETER-
19. MIXED WITIIOU'r REG.ARD TO IDEN'l'Il•.,ICA'l'ION.-
20. "(1) Ix GEXERAL.-Unless the Secretary per-
21. mits the use of an average basis method for dctcr-
22. mining cost, in the case of the sale, exchange, or
23. other disposition of a specified security (within the
24. meaning of section 6045(g)(3)(B)), the basis (and

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1. holding period) of such security shall he deterrni1wd
2. on a first-in first-out basis.
3. "(2) EXCEPTION.-In the case of a sale, ex-
4. change, or other disposition of a specified security
5. by a regulated investment company (as defined m
6. section 851(a)), paragraph (1) shall not apply.".
7. (b) CONFORMING AME DMENTS.-
8. (1) Section 1012 (c)(1) is amended by striking
9. "the conventions prescribed by regulations under
10. this section" and inserting "the method applicable
11. for determining the cost of such security''.
12. (2) Section 1012(c)(2)(A) is amended by insert-
13. ing " (as in effect prior to the enactment of the Tax
14. Cuts and ,Jobs Act)" after "this section".
15. (8) Section 6045(g)(2)(B)(i)(I) is amended by
16. striking ''unless the custom<.)r notifies the hrok<.)r hy
17. means of making an adequate identification of the
18. stock sold or transferred''.
19. (c) Ei,1,-,ECrrIYE DATK-The amendments made by
20. this section shall apply to sales, exchanges, and other dis-
21. positions after Deccmher 81, 2017.

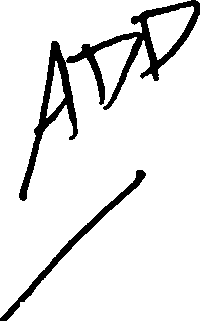
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* 1. **Subpart D-S Corporations**
  2. **SEC. 13541. EXPANSION OF QUALIFYING BENEFICIARIES OF**
  3. **AN ELECTING SMALL BUSINESS TRUST.**
  4. (a) No LOOK-THROUGH FOR ELIGIBILITY PuR-
  5. POSES.-Section 136l(c)(2)(B)(v) is amended by adding·
  6. at the end the following new sentence: "This clause shall
  7. not apply for purposes of subsection (b)(1 )(C).".
  8. (b) EFFECT!\ DATE.-The amendment made by
  9. this section shall take effect on ..January **1,** 2018.
  10. **SEC. 13542. CHARITABLE CONTRIBUTION DEDUCTION FOR**
  11. **ELECTING SMALL BUSINESS TRUSTS.**
  12. (a) IN GENERAL.-Section 64l(c)(2) is amended by
  13. inserting after subparagraph (D) the following new sub-
  14. paragraph:
  15. "(E)(i) Section 642(c) shall not apply.
  16. "(ii) For purposes of section l 70(b)(l)(G),
  17. adjusted gross income shall be computed in the
  18. same manner as in the case of an imfoidual,
  19. except that the deductions for costs which are
  20. paid or incurred in connection with the admin­
  21. istration of the trust and which would not have
  22. been incurred if the property were not held in
  23. such trust shall be treated as allowable in arriv­
  24. ing at adjusted gross income.''.

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1. (b) EFFECTIVE DNrE.-Thc amendment made by
2. this section shall apply to taxable years beginning after

3 December 31, 2017.

1. **SEC. 13543. MODIFICATION OF TREATMENT OF S CORPORA-** *[ I* **etd.jvt<;. Vlts**

k,l,,flf vt*1=7l-t*

1. **TION CONVERSIONS TO C CORPORATIONS.,//**

***,\t) {)DVlVt,,V5illY'-***

1. (a) IN GENERAL.-Scction 1371 is amended by add- *fr .* ***t!-IX'fO* r-mi**
2. ing at the end the follm,ring new subsection: 41) *C* pont-ti *D"'V\*-

*tvH frV\ q { ,·c;*

1. ''(f) CASH DI8'l'RHW'l'Im,s FOLLCl\VTNG Pmn-TERMI- ***CA. t'-<-A.***
2. **NATION '"fRANSITION PERIOD.- *Ot.tfttr*** i'1 ***af,/W l* 111**

**.}'W. *.f-ol[ OW jY'-\_!, "'e* W**

1. " (1) l)J oENEHAh-In the case of a distribu- ***v-411\*** *(* ***t-4'' cm***:
2. tion of money by an eligible terminated S corpora- ***(cf) A-d )tA* 0--·»¥-i-t1..S**
3. tion after the post-termination transition period, the ***a#J,,z ,A***
4. **accumulated ac\justmcnts account shall be allocated**

###### to such distribution, ancl the distribution shall be ***,4 ;/1,l\_*** .

1. chargeable to accumulated earnings and profits, in *[,!* ***dAA..\_***

###### the same ratio as the amount of such accumulated **tJ;i..**

1. adjustments account bears to the amount of such ac- **S**

1

1. cumulated earning·s and profits. AP

" (2 ) E ·

1. 1 LIGIBLE TER1\HNA1'ED S CORPORA- -***ll***..***A***. ***M***· ***JA\_J,*** . . ***..J.1,.***

***JtA 1:}t-1 '***

1. TIOX.-For purposes of this subsection, the term 'cl- ,

###### igible terminated S corporation' means any C cor- ***1'* G**

1. poration-
2. "(A) ·which-

Pl *.# "*

*udf,;;/,l*

·- *t. ·*

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* 1. "(i) was an S corporation on the day
  2. before the date of the enactment of the
  3. **Tax** Cuts and Jobs Act, and
  4. "(ii) during the 2-year period begin-
  5. ning on the date of such enactment makes
  6. a revocation of its election under section

7 1362(a), and

1. '' (B) the owners of the stock of which, de-
2. termined on the date such reYocation is made,
3. are the same owners (and in identical propor-
4. tions) as on the date of such enactment.".
5. (b) EFFECTIVE DATE.-The amendments made by
6. this section shall apply to distributions after the date of
7. the enactment of this Act.
8. **PART VII-EMPLOYMENT**
9. **Subpart A-Compensation**
10. **SEC. 13601. MODIFICATION OF LIMITATION ON EXCESSIVE**
11. **EMPLOYEE REMUNERATION.**
12. (a) REPEAL OP PEHPOU:\IA,."'CE-BASED COMPENSA-
13. TION AND Col\nHSSION EXCEPTIONS FOR LIJ.VIITATION ON
14. EXCESSIYE EMPLOYEE REMVNERATION.-
15. (1) IN GENERAL.-Paragraph (4) of section
16. 162(m) is amended by striking subparagraphs (B)
17. and (C) and by redesignating subparagraphs (D),

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1. (E), (l -,), and (G) as suhparagraphs (B), (C), (D),
2. an<l (E), respectively.
3. (2) CONFORl\IING AMENDl\IENTS.-
4. (A) Paragraphs (5)(E) and (6)(D) of sec-
5. tion 162(m) are each amended by striking
6. "suhparagraphs (B), (C), and (D)" and insert-
7. ing "subparagraph (B)".
8. (B) Paragraphs (5)(G) and (6)(G) of sec-
9. tion 162(m) are each amended by striking "(F)
10. and (G)" and inserting "(D) and (E)".
11. (h) MODIFICATION OF DE .,IXITION OF COVERED K.\1-
12. PLOYEES.-Paragraph (3) of section 162(m) is amen<l-
13. ed-
14. (1) in subparagraph (A), by striking "as of the
15. close of the taxable year, such employee is the chief
16. executive officer of the taxpayer or is" and inserting
17. "such employee is the principal executive officer or
18. principal financial officer of the taxpayer at any
19. time during the taxable year, or was",
20. (2) in subparagraph (B)-
21. (A) hy striking "4" and inserting "3", and
22. (B) by striking· "(other than the chief exec-
23. utive officer)" and inserting " (other than any
24. individual des( ribed in subparagraph (A))", and

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1. (8) hy striking "or" at the end of subparagraph
2. (A), by striking- the period at the end of snbpara-
3. graph (B) and inserting '', or'', and by adding at the
4. end the following:
5. "(C) ,vas a covered employee of the tax-
6. payer (or any predecessor) for any preceding
7. taxable year beginning after December 31, 8 2016.".

9 (c) EXPANSION OP APPI ICABLE E.MPLOYEH.-

1. (1) IN GENERAL.-Section 162(m)(2) is amend-
2. cd to read as follows:
3. "(2) PUBLICLY HELD CORPORATION.-For pur-
4. poses of this subsection, the term 'publicly held cor-
5. poration' means any corporation which is an issuer
6. (as defined in section 3 of the Securities Exchang·e 16 Act of 19:34 (15 U.S.C. 78c))-
7. "(A) the securities of which are required to
8. be registered under section 12 of such Act (15 19 U.S.C. 781), or
9. "(B) that is required to file reports under
10. section 15(d) of such Act (15 U.S.C. 78o(d)).".
11. (2) CONFORMING Al\1END:\IENT.-Set tion
12. 162(m)(3), as amended by subsection (b), is amend-
13. ed by adding at the end the following flush sentence:

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1. "Such term shall include any employee who would he
2. described in subparagraph (B) if the reporting de-
3. scribed in such subparagraph were required as so
4. described.''.
5. (d) SPECIAL ReLE FOR RE:VIUXERATION PAID TO
6. BENEFICIARIES, ETC.-Paragraph (4) of section 162(m),
7. as amended by subseetion (a), is amended by adding at
8. the end the following new subparagraph:
9. " (11., ) SPECIAL HlJLE F'Ol{ HEl\IUXER VrION
10. PAID TO BENEFICIARIES, ETC.-Remuneration
11. shall not fail to he applicable employee remu-
12. neration merely because it is includible in the
13. income of, or paid to, a person other than the
14. eovcrcd employee, ineluding after the death of
15. the covered employee.".
16. (c) EF1 FECTIYE DATE.-
17. (1) IN GE ERAL.-Except as proYided in para-
18. graph (2), the amendments made by this section
19. shall apply to taxable years beginning after Decem-

20 ber 81, 2017.

1. (2) EXCEPTIOX FOR BIXDI G COXTRACTS.-
2. The amendments made by this section shall not
3. apply to remuneration which is pursuant to a writ-
4. ten binding contraet which was in effect on Non m-

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1. her 2, 2017, and which was not modified in any ma-
2. terial respn t on or after sm h <late.
3. **SEC. 13602. EXCISE TAX ON EXCESS TAX-EXEMPT ORGANI-**
4. **ZATION EXECUTIVE COMPENSATION.**
5. (a) IN GE:\"ERAL.-Subchapter D of chapter 42 is
6. amended hy adding at the end the following new section:
7. **"SEC. 4960. TAX ON EXCESS TAX-EXEMPT ORGANIZATION**
8. **EXECUTIVE COMPENSATION.**
9. "(a) TAX IMPOSED.-There is hereby imposed a tax
10. equal to 20 percent of the sum of-
11. " (1) so much of the remuneration paid (other
12. than any excess parachute payment) by an applica-
13. ble tax-exempt organization for the taxable year with
14. respect to employment of any covered employee in
15. excess of $1,000,000, plus
16. "(2) any excess parachute payment paid hy
17. such an organization to any covered employee.
18. For purposes of the preceding sentence, remuneration
19. shall be treated as paid when there is no substantial risk
20. of forfeiture of the rights to such remuneration.
21. "(h) LIABILITY FOR TAX.-Thc employer shall he lia-
22. ble for the tax imposed under subsection (a).
23. " (c) DEFINITIOXS AND SPECIAL RVLES.- -,or pur-
24. poses of this section-

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* 1. **"(1) APPLICABLE TAX-EXElVIPT ORGAXIZA-**
  2. TION.-The term 'applicable tax-exempt org·aniza-
  3. tion' means any organization which for the taxable
  4. year-
  5. **"(A)** is exempt from taxation under section

6 501 (a),

1. "(B) is a farmers' cooperatiYe org·anization
2. described in section 521 (b)(l),
3. "(C) has income excluded from taxation
4. under section 115 (1), or
5. "(D) is a political organization described in
6. section 527(e)(l).
7. "(2) COVERED EMPLOYEE.-For purposes of
8. this section, the term 'coYered employee' means any
9. employee (including any former employee) of an ap-
10. plicahle tax-exempt organization if the cmploycc-
11. "(A) is one of the 5 highest compensated
12. employees of the org·anization for the taxable
13. year, or
14. "(B) was a covered employee of the organi-
15. zation (or any predecessor) for any preceding
16. taxable year beginning after December 31,

23 2016.

1. "(3) REMUNERATIOX.-For purposes of this
2. section, the term 'remuneration' means wages (as

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1. defined in section :3401 (a)), except that such term
2. shall not inelude any designated Roth eontribution
3. (as defined in section 402A(c)) and shall include
4. amounts required to be indudcd in gross meomc
5. under section 457(f).
6. "(4) REML"XERATIOX f-,ROM RELATED ORGA..'H-
7. ZATIOXS.-
8. "(A) IN GENERAL.-Remuneration of a
9. eovcred employee by an applieable tax-exempt
10. organization shall include any remuneration
11. paid with respect to employment of such em-
12. ployee by any related person or governmental
13. entity.
14. **"(B)** HEidrrED ORGANIZATIONS.-A per-
15. son or governmental entity shall be treated as
16. related to an applicahk· tax-exempt organization
17. if such person or governmental entity-
18. "(i) controls, or is controlled by, the
19. organization,
20. " (ii) is controlled by one or more per-
21. sons which control the organization,
22. "(iii) is a supported organization (as
23. defined in section 509(f)(3)) during the
24. taxable year with respeet to the organiza-
25. tion,

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* 1. "(iY) 1s a supporting organization de-
  2. scribed in section 509(a)(3) <luring the
  3. taxable year with respect to the organiza­
  4. tion, or
  5. "(v) m the case of an organization
  6. which is a voluntary employees' beneficiary
  7. association described in section 501 (c)(9),
  8. establishes, maintains, or makes contribu­
  9. tions to such voluntary employees' bene­
  10. ficiary association.
  11. "(C) LIABILITY 1 0 R TAX.-ln any case in
  12. which remuneration from more than one em­
  13. ployer is taken into account under this para­
  14. graph in determining the tax imposed by sub­
  15. section (a), each such employer shall be liable
  16. for such tax in an amount which hears the
  17. same ratio to the total tax determined under
  18. subsection (a) with respect to such remunera­
  19. tion as-
  20. "(i) the amount of remuneration paid
  21. hy such employer with respect to such em­
  22. ployee, bears to
  23. "(ii) the amount of remuneration paid
  24. by all such employers to such employee.

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* + 1. "(5) EXCESS PARACHCTE PAY}IENT.-For pur-
    2. poses of determining- the tax imposed by subsection 3 (a)(2)-

1. **"(A)** Ix GENEIW.i.-Thc term 'exeess
2. parachute payment' means an amount equal to
3. the <?xcess of any parachute payment over the
4. portion of the base amount alloeated to sueh
5. payment.
6. "(B) PAHACiffrrE P.AYMENrr.-The term
7. 'parachute payment' means any payment in the
8. nature of compensation to (or for the benefit
9. of) a eovered employee if-
10. "(i) such payment 1s contingent on
11. sueh employee's separation from employ­
12. ment with the employer, and
13. "(ii) the aggregate present value of
14. the payments in the nature of compensa­
15. tion to (or for the benefit of) such indi­
16. vidual which an eontingent on sueh sepa­
17. ration equals or exceeds an amount equal
18. to :J times the hasc amount.
19. Such term does not include any payment de­
20. scribed in section 280G(b)(6) (relating to ex­
21. emption fur payments under qualified plans) or
22. any payment made under or to an annuity con-

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1. tract descrihed in section 40:3(h) or a plan de-
2. seribe<l in section 457(b).
3. "(C) BASE AMOFXT.-Rules similar to the
4. rules of 280G(b) (3) shall apply for purposes of
5. determining the base amount.
6. **"(D)** PROPERTY TRA."'\'S -,ERS; PRESENT
7. VALFE.-Rules similar to the rules of para-
8. graphs (3) and (4) of section 280G(d) shall
9. apply.
10. "(6) COORDIN"ATION WITH DEDPCTION LIMITA-
11. TION.-Remuneration the deduction for which is not
12. allowed by reason of section 162(m) shall not be
13. taken into account for purposes of this section.
14. "(d) REGL'.LA'l'IOi\'S.-The Secretary shall preseribe
15. such regulations as may be necessary to prevent aYoidance
16. of the tax under this section, including regulations pre-
17. venting employees from being misclassified as t ontrat tors
18. or from being compensated through a pass-through or
19. other entity to aYoid sueh tax.".
20. (b) CLERICAL k\rnND:\IENT.-The table of sections
21. for suhchapter D of chapter 42 is amended hy adding at
22. the en<l the following new item:

"Sec. 4960. Tax on excess tax-exempt organization executive compensation.".

1. (c) EFFECTI\ DATE.-The amendments made by
2. this section shall apply to taxable years beginning after

25 December 31, 2017.

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1. **SEC. 13603. TREATMENT OF QUALIFIED EQUITY GRANTS.**
2. (a) IN GENERAL.-8ection 88 is amended hy adding
3. at the end the follmving· new subsection:
4. "(i) QUALIFIED EQCITY GRAJ.'\TTS.-
5. " (1) IN GENERAL.-Por purposes of this sub-
6. title-
7. "(A) TnnNG OF INCLCSION.-If qualified
8. stock is transferred to a qualified nnployee who
9. makes an election ,vi.th respect to such stock
10. under this subsection, subsection (a) shall be
11. applied by including the amount determined
12. under such suhsection with respect to such
13. stock in income of the employee in the taxable
14. year determined under subparagraph (B) in lieu
15. of the taxable year described in subsection (a).
16. "(B) TAXABLE YEAR DETERMINED.-The
17. taxable year determined under this subpara-
18. gTaph is the taxable year of the employee which
19. includes the earliest of-
20. "(i) the first date such qualified stock
21. becomes transferable (including, solely for
22. purposes of this clause, hecorning transfer-
23. able to the ernployer),
24. "(ii) the date the employee first be-
25. comes an excluded employee,

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* 1. "(iii) the first date on which any stock
  2. of the corporation which issued the quali­
  3. fied stock becomes readily tradable on an
  4. established securities market (as deter­
  5. mined by the Secretary, but not including
  6. any market unless such market is recog­
  7. nized as an established securities market
  8. by the Secretary for purposes of a provi­
  9. sion of this title other than this sub­
  10. section),
  11. '' (iY) the date that is 5 years after the
  12. first date the rights of the employee in
  13. such stock are transferable or are not sub­
  14. ject tu a substantial risk of forfeiture,
  15. whichever occurs earlier, or
  16. "(v) the date on which the employee
  17. revokes (at such time and in such manner
  18. as the Secretary provides) the election
  19. under this subsection with respect tu such
  20. stock.
  21. "(2) QUALIFIED STOCK.-
  22. "(A) IN GENERAL.-For purposes of this
  23. subsection, the term 'qualified stock' means,
  24. with respect to any qualified employee, any

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1. stock in a corporation which is the employer of
2. such employee, if-
3. " (i) such stock is received-
4. " (I) in connection with the exer­
5. cise of an option, or
6. "(II) in settlement of a restricted
7. stock unit, and
8. " (ii) such option or restricted stock
9. unit was granted by the corporation-
10. " (I) in connection with the per­
11. formance of services as an employee,
12. and
13. "(II) during a calendar year in
14. which such corporation was an elig;ible
15. corporation.
16. "(B) LIMITATION.-The term 'qualified
17. stock' shall not irwhule any stock if the em­
18. ployee may sell such stock to, or otherwise re­
19. ceive ( ash in lieu of stOl k from, the corporation
20. at the time that the rights of the employee in
21. such stock first hccomc transferable or not suh­
22. jeet to a snbstantial risk of forfoiture.
23. "(C) ELIGIBLE CORPORATION.-For pur­
24. poses of subparagraph (A)(ii)(II)-

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* 1. "(i) IN GENERAL.-Thc term 'eligible
  2. corporation' means, with resped to any
  3. calendar year, any corporation if-
  4. "(I) no stock of such corporation
  5. (or any predecessor of such corpora­
  6. tion) is readily tradahle on an estah­
  7. lishP<l securities markPt (as deter­
  8. mined under paragraph (1) (B) (iii))
  9. during any preceding calendar year,
  10. and
  11. "(II) such corporation has a ,vrit­
  12. ten plan under which, in such cal­
  13. endar year, not less than 80 percent
  14. of all employees who provide services
  15. to such corporation in the United
  16. States (or any possession of the
  17. United States) are granted stock op­
  18. tions, or restricted stock units, with
  19. the same rig-hts and privileg·es to re­
  20. ceiYe qualified stock.
  21. "(ii) SA..'1:E RIGHTS A..'\"D PRIVI-
  22. LEGES.-Por purposes of clause (i)(II)-
  23. "(I) except as provided in sub­
  24. clauses (II) and (III), the determina­
  25. tion of rights and privileges with re-

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1. spect to stock shall he made in a simi-
2. lar manner as un<ler seetion

3 423(b)(5),

1. "(II) employees shall not fail to
2. be treated as having the same rights
3. and priYilcges to receiw qualified
4. stock solely Leeanse tlw number of
5. shares available to all employees is not
6. equal in amount, so long as the rnun­
7. ber of shares available to each em­
8. ployee is more than a de minimis
9. amount, and
10. "(III) rights and privileges with
11. respect to the exereise of an option
12. shall not be treated as the same as
13. rights and privileges with respect to
14. the settlement of a restricted stock
15. unit.
16. "(iii) EMPLOYEE.-For purposes of
17. clause (i)(II), the term 'employee' shall not
18. include any employee descrihed in section
19. 4980E(d)(4) or any excluded employee.
20. "(iY) SPECIAL ReLE FOR CALENDAR
21. YEARS BEFORE 2018.-In thecase of any
22. calendar year beginning before January 1,

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1. 2018, clause (i)(II) shall he applied with-
2. out reg·ard to whether the rights and privi-
3. leges with respect to the qualified stock are
4. the same.
5. "(3) QCALIFIED E:\IPLOYEE; EXCLVDED E -
6. PLOYEE.-:B-,or purposes of this suhsection-
7. "(A) IN GENERAL.-The term 'qualified
8. employee' means any imfoidual who-
9. "(i) is not an excluded employee, and
10. "(ii) agrees in the election made
11. under this suhsection to meet such requirc-
12. ments as are <letermine<l by the Secretary
13. to be necessary to ensure that the with-
14. holding requirements of the corporation
15. under chapter 24 with respect to the quali-
16. fied stock arc met.
17. "(B) EXCLUDED E:VIPLOYEE.-The term
18. 'excluded employee' means, with respect to any
19. corporation, any individual-
20. "(i) who was a I-percent owner (with-
21. in the meaning of section 416(i)(l)(B)(ii))
22. at any time during the 10 preceding cal-
23. endar years,
24. "(ii) who is or has been at any prior
25. time-

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* 1. "(I) the chief executive officer of
  2. such corporation or an irnlividual act­
  3. ing in such a capacity, or
  4. '' (II) the chief financial officer of
  5. such corporation or an individual act­
  6. ing in such a capacity,
  7. "(iii) who bears a relationship de­
  8. scribed in section 318(a)(l) to any indi­
  9. vidual described in subelause (I) or (II) of
  10. clause (ii), or
  11. " (iY) who was for any of the 10 pre­
  12. ceding taxable years one of the 4 highest
  13. compensated officers of such corporation,
  14. determined with respect to each such ta.x­
  15. able year on the basis of the shareholder
  16. disclosure rules for compensation under
  17. the Securities Exchange Act of 1934 (as if
  18. such rules applied to such corporation).
  19. "(4) ELECTION.-
  20. "(A) TIME FOR MAKING ELECTION.-An
  21. election with respect to qualified stock shall he
  22. made under this subsection no later than 30
  23. days after the first date the rights of the em­
  24. ployee in such stock arc transferable or are not
  25. subject to a substantial risk of forfeiture,

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1. whichever occurs earlier, and shall he made in
2. a manner similar to the manner in which an
3. election is made under subsection (b).
4. **"(B)** Ln1rrA'l'IO)JS.-Xo election may be
5. made under this section ,vith respect to any
6. qualified stock if-
7. " (i) the qualified employee has made
8. an election under subsection (b) with re­
9. spect to such qualified stock,
10. "(ii) any stock of the corporation
11. which issued the qualified stock is readily
12. tradahle on an established securities mar­
13. ket (as determined under paragraph
14. **(l)(B)(iii))** at any time before the eled,ion
15. is made, or
16. "(iii) such corporation purchased any
17. of its outstanding stock in the calendar
18. year preceding the calendar year which in­
19. eludes the first date the rights of the em­
20. ployee in such stock are transferable or are
21. not suhject to a suhstantial risk of for­
22. feiture, unless-
23. "(I) not less than 25 percent of
24. the total dollar amount of the stock so
25. purchased is deferr al stock, and

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* 1. "(II) the determination of which
  2. individuals from whom deferral stock
  3. is purchased is made on a reasonable
  4. basis.
  5. **"(C) DEFINITIOXS AND SPECIAL RrLES**
  6. **RELATED TO LL\UTATIO:\" OX STOCK REDEMP­**
  7. **TIOXS.-**
  8. "(i) DEF'ERRAL STOCK.-For pur­
  9. poses of this paragraph, the term 'deferral
  10. stock' means stock with respect to which
  11. an election is **in** effect under this suh­
  12. section.
  13. "(ii) **DEFERRAL STOCK WITH RE-**
  14. **SPEC'!' '1'0 ANY INDIVIDUAL NO'l' '!'AKEN**
  15. **I:\'"TO ACCOrXT IF INDIVIDUAL HOLDS DE­**
  16. **FERRAL STOCK WlTH LONGER DEFERRAL**
  17. PERIOD.-Stm k purchased by a corpora­
  18. tion from any incfoidual shall not be treat­
  19. ed as deferral stock for purposes of sub­
  20. paragraph (B)(iii) if such individual (im­
  21. mediately after such purchase) holds any
  22. deferral stock with respect to which an
  23. election has been in effect under this sub­
  24. section for a longer period than the clec-

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1. tion with respect to the stock so pur-
2. chase<l.
3. **''(1·1·1·) p**URCIL\SE OP ALL orT-
4. S'rAXDIXG DEF,EIUW.. STOCK.-The re-
5. quirements of subclauses (I) and (II) of
6. suhparagra ph (B) (iii) shall he treated as
7. met if the stock so purchase<l i clu<les all
8. of the corporation's outstanding deferral
9. stock.
10. "(iY) REPORTING.-Any corporation
11. which ·has outstanding deferral stock as of
12. the beginning of any calendar year and
13. which purchases any of its outstanding
14. stock during such calendar year shall in-
15. elude on its return of tax for the taxable
16. year in which, or with which, such calendar
17. year ends the total dollar amount of its
18. oub;tanding stock so purchased during
19. such calendar year and such other infor-
20. mation as the Secretary requires for pur-
21. poses of administering this paragraph.
22. "(5) CONTROLLED GROUPS.-For purposes of
23. this subsection, all persons treated as a single em-
24. player under section 414(b) shall be treated as 1
25. corporation.

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* 1. "(6) NOTICE REQUIREMENT.-Any corporation
  2. which transfers qualified stock to a qualified em-
  3. ployee shall, at the time that (or a reasonable period
  4. before) an amount attributable to such stock would
  5. (but for this subsection) first be includible in the
  6. gross income of such employee-

? **"(A)** certify to such employee that sueh

1. stock is qualified stock, and
2. **"(B)** notify such employee-

IO "(i) that the employee may be eligible

1. to elect to defer income on such stock
2. under this subsection, and
3. " (ii) that, if the employee makes such
4. an eleetion-
5. '·(I) the amount of income recog-
6. nized at the end of the deferral period
7. will be based on the value of the stock
8. at the time at which the rights of the
9. employee in sueh stock first become
10. transferable or not subject to substan-
11. tial risk of forfeiture, notwithstanding
12. whether the Yalue of the stock has de-
13. clined during the deferral period,
14. "(II) the amount of such income
15. recognized at the end of the deferral

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1. period will he subject to withholding
2. under seetion 3401(i) at the rate <le-
3. termined under section 3402(t), and
4. " (III) the responsibilities of the
5. employee (as determined by the Sec-
6. retary under paragraph (3)(A)(ii))
7. ,,rith respect to such withholding.
8. "(7) RESTRICTED STOCK UNITS.-This section
9. (other than this subsection), ineluding any election
10. under subsection (b), shall not apply to restricted
11. stock units.".
12. **(b) WITIIHOLDIXG.-**
13. **(1)** TIME OF W1THHOLDING.-Section 3401 is
14. amended by adding at the end the following new
15. subsection:
16. "(i) QUALIFIED STOCK F1 0 R WHICH AN ELECTION ls
17. IN EFFECT UNDER SECTION 83(i).- ..,or purposes of snb-
18. section (a), qualified stock (as defined in section 83(i))
19. with respect to which an election· is made under section
20. 8:3(i) shall be treated as wages-
21. " (1) received on the earliest date described m
22. seetion 83(i)(l )(B), an<l
23. "(2) in an amount equal to the amount in-
24. eluded in income under section 8 3 for the taxable
25. year which includes such date.".

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* 1. (2) AMOUNT O:F1 WITHHOLDING.-Section :3402
  2. is amended by adding· at the end the following· new
  3. subsection:
  4. "(t) HATE OP vVI'l'IIIIOLDING 11 OH CEWl'AIX
  5. STOCK.-In the case of any qualified stock (as defined in
  6. section 83(i)(2)) with respect to which an election is made
  7. under section 83(i)-
  8. "(1) the rate of tax under subsection (a) shall
  9. not be less than the maximum rate of tax in effect
  10. under section 1, and
  11. '' (2) such stock shall he treated for purposes of
  12. section 350l(b) in the same manner as a non-cash
  13. fringe benefit.".
  14. (c) COOHDIXA'l'IOX \,VITII 0TIIEH DEPEHHED COM-
  15. PEXSATION ReLES.-
  16. (1) ELECTION TO APPLY DEFERRAL TO STATU-
  17. TORY OPTIONS.-
  18. (A) IXCE TIVE STOCK OPTIONS.-Section
  19. 422 (b) is amended by adding at the end the fol-
  20. lowing: "Such term shall not include any option
  21. if an election is made under section 83(i) with
  22. respect to the stock received in connection 'With
  23. the exercise of such option.".
  24. (B) EMPLOYEE STOCK PURCHASE
  25. PLA s.-Section 423 is amended-

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* + 1. (i) hy adding at the end of suhsection
    2. (a) the following flush sentence:
    3. "The preceding sentence shall not apply to any share of
    4. stock with respect to which an clel tion is made under scc-
    5. tion 8:3(i).", and
    6. (ii) in suhsectiou (h)(5), hy striking
    7. "and" Lefore "the plan" and Ly inserting·
    8. ", and the rules of section 83(i) shall apply
    9. in determining which employees ha.Ye a
    10. right to make an election under such sec-
    11. tion" hefore the semicolon at the end.
    12. (2) EXCLUSION FROM DEFINITION OF NON-
    13. Qr'ALIFIED DEF,ERRED COMPENSATION PLAN.-Sub-
    14. section (d) of section 40HA is amended by adding at
    15. the end the following new paragraph:
    16. "(7) TREATMEXT OF,, Ql'ALIFIED STOCK.-An
    17. arrangement under which an employee may receive
    18. qualified stock (as defined in section 83 (i)(2)) shall
    19. not *be* treated as a nonqualified deferred compensa-
    20. tion plan solely because of an employee's election, or
    21. ahility to make an election, to defer recognition of
    22. income under section 83(i).".
    23. (d) INFOR:\iIATIOX REPORTING.-Section 6051(a) is
    24. amended by striking "and" at the end of paragraph
    25. (14) (B), by striking the period at the end of paragraph

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1. (15) and inserting a comma, and hy inserting after para-
2. graph (15) the following- new paragraphs:
3. '' (16) the amount includible in gross mcome
4. under subparagraph (A) of seetion 8:3(i)(1) with re-
5. spect to an eyent described in subparagraph (B) of
6. such section which occurs in such calPndar year, and
7. " (**1**7) the ag-g-reg-ate amount of ineome whieh is
8. being deferred pursuant to elections under section
9. 83 (i), determined as of the dose of the ealendar
10. year.".
11. (e) PENALTY F.,OR FAILURE OF EMPLOYER To PRO-
12. YIDE NOTICE OF TAX CONSEQFENCES.-Section 6652 is
13. amended by adding at the end the following new sub-
14. section:
15. "(p) FAILFRE TO PROVIDE NOTICE UNDER SECTION
16. 83(i).-In thecase of each failure to provide a notice as
17. required by section 83(i)(6), at the time prescribed there-
18. for, unless it is shown that such failure is due to reason-
19. able cause and not to willful neglect, there shall be paid,
20. on notice and demand of the Secretary and in the same
21. manner as tax, by the person failing to provide such no-
22. tice, an amount equal to $100 for each such failure, but
23. the total amount imposed on such person for all such fail-
24. ures during any ealendar year shall not exeeed $50,000.".
25. (f) EFFECTIVE DATES.-

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* 1. (1) IN GENERAL.-Except as proYided in para-
  2. gTaph (2), the amendments made by this seetion
  3. shall apply to stock attributable to options exercised,
  4. or restrieted stock units settled, after Deeember :31,

5 2017.

1. (2) REQUIREMENT TO PROVIDE OTICE.-Tlw
2. amendments made by subsection (e) shall apply to
3. failures after December 31, 2017.
4. (g) 'rru.Nsrrrox RuLE.-U ntil sueh time as the See-

l O retary (or the Secretary's delegate) issues regulations or

1. other guidance for purposes of implementing the require-
2. ments of paragTaph (2)(C)(i)(II) of se( tion 83(i) of the
3. Internal Revenue Code of 1986 (as added by this section),
4. or the requirements of paragraph ( o) of sueh seetion, a
5. corporation shall be treated as being in compliance with
6. such requirements (respectiw ly) if such corporation corn-
7. plies with a reasonable good faith interpretation of such
8. requirements.
9. **SEC. 13604. INCREASE IN EXCISE TAX RATE FOR STOCK**
10. **COMPENSATION OF INSIDERS IN EXPATRI-**
11. **ATED CORPORATIONS.**
12. (a) IN GENERAL.-Section 4985(a)(l) is amended by
13. striking "section l(h)(l)(C)" and inserting "section

24 1(h )( 1)(D)".

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* 1. (h) EFFECTIVE DATE.-The amendment made hy
  2. this seetion shall apply to eorporations first beeoming- ex-
  3. patriated corporations (as defined in section 4985 of the
  4. Internal Revenue Code of 1986) after the date of enaet-
  5. ment of this Act.
  6. **Subpart B-Retirement Plans**
  7. **SEC. 13611. REPEAL OF SPECIAL RULE PERMITI'ING RE-**
  8. **CHARACTERIZATION OF ROTH IRA CON-**
  9. **TRIBUTIONS AS TRADITIONAL IRA CON-**
  10. **TRIBUTIONS.**
  11. (a) IN GEXERAL.-Section 408A(d) is amended by
  12. striking paragraph (6) and by redesignating paragraph
  13. (7) as paragraph (6).
  14. (b) Er,,,F,ECTIVE DA'rE.-The amendments made by
  15. this section shall apply to taxable years beginning after
  16. Decemher :n, 2017.
  17. **SEC. 13612. MODIFICATION OF RULES APPLICABLE TO**
  18. **LENGTH OF SERVICE AWARD PLANS.**
  19. (a) MlLXUIUl\1 DEI,.,EIUW,j AvlOt:xrr.-Clausc' (ii) of
  20. section 457(e)(l l)(B) is amended by striking "$8,000"
  21. and inserting "$6,000".
  22. (b) COST OF LIYING AD.JUST.MENT.-Subparagraph
  23. (B) of section 457(e)(11) is amended by adding at the
  24. end the following:

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* + 1. '' (iii) COST OF LIYIXG ADJUST-
    2. IEXT.-In the case of taxable years begin-
    3. ning after December 31, 2017, the Sec-
    4. retary shall a iust the $6,000 amount
    5. under clause (ii) at the same time and in
    6. the same manner as under section 415(d),
    7. except that the base period shall be the
    8. calendar quarter beginning July 1, 2016,
    9. and any increase under this paragraph
    10. that is not a multiple of $500 shall be
    11. rounded to the 1wxt lowest multiple of

12 $500.".

1. (c) APPLICATIOX OF LLVIITATIOX ox AccReALS.-
2. Subparagraph (B) of section 457(e) (11), as amended by
3. subsection
4. lowing:

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(b), is amended by adding at the end the fol-

"(iY) SPECIAL RULE FOR APPLICA­ TION OF LIMITATION ON ACCRUALS FOR

CEHri'AIN PI.u\NS.-ln the case of a plan de­

scribed in subparagraph (A)(ii) which is a defined henefit plan (as defined in section 414(j)), the limitation under clause (ii) shall apply to the actuarial present value of the aggregate amount of length of serv­ ice awards accruing with respect to any

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* 1. year of service. Such actuarial present
  2. value with respect to any year shall be cal-
  3. culated using reasonable actuarial assump-
  4. tions and methods, assuming payment will
  5. be made under the most valuable form of
  6. payment under the plan with payment
  7. commencing at the later of the earliest age
  8. at which unreduced benefits are payable
  9. under the plan or the participant's age at
  10. the time of the calculation.".
  11. (d) E:B-,FECTIVE DATE.-The amendments made hy
  12. this section shall apply to taxable years beg;inning· after

13 December 31, 2017.

1. **SEC. 13613. EXTENDED ROLLOVER PERIOD FOR PLAN LOAN**
2. **OFFSET AMOUNTS.**
3. (a) IN GENERAL.-Paragraph (:3) of section 402(c)
4. 1s amended by re<lesignating subparagraph (B) as sub-
5. paragraph (C) and by inserting after subparagraph (A)
6. the following new subparagraph:
7. **"(B)** ROLLOVER OF CERTAIN PIA LOAN
8. OF·FSET AMO"CNTS.-
9. " (i) IN GEXERAL.-In the case of an
10. eligible rollover distribution of a qualified
11. plan loan offset amount, the requirements
12. of subparagraph (A) shall be treated as

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1. met if such transfer occurs on or hefore
2. the due date (including extensions) for fil­
3. ing the return of tax for the taxable year
4. in whieh sueh amount is treated as distrib­
5. uted from a qualified employer plan.
6. "(ii) **QUALIFIED PLAN LOAN OF ,SET**
7. AMOPNT.-For purposes of this subpara­
8. graph, the term 'qualified plan loan offset
9. amount' means a plan loan offset amount
10. which is treated as distributed from a
11. qualified employer plan to a participant or
12. benefieiary solely by reason of-
13. " (I) the termination of the quali­
14. fied employer plan, or
15. "(II) the failure to meet the re­
16. payment terms of the loan from such
17. plan Leeause of the severanee from
18. employment of the participant.
19. "(iii) **PLAN LOAN OFFSET A1\iIOCNT.­**
20. For purposes of clause (ii), the term 'plan
21. loan offset amount' means the amount hy
22. whieh the partieipant' s aeerued benefit
23. under the plan is reduced in order to repay
24. a loan from the plan.

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* 1. "(iY) Lil\IITATION.-This suhpara-
  2. g-raph shall not apply to any plan loan off-
  3. set amount unless such plan loan offset
  4. amount relates to a loan to which section
  5. 72(p) (1) does not apply by reason of sec-

6 tion 72(p)(2).

1. "(y) QUALIFIED EMPLOYER PLAN.-
2. For purposes of this subsection, the term
3. 'qualified employer plan' has the meaning
4. given such term by section 72(p)(4).".
5. (b) COXFORMING ANIENDMENT.-Suhparagraph (A)
6. of section 402(c)(3) is amended by striking "subpara-
7. graph (B)" and inserting "subparagraphs (B) and (C)".
8. (c) EJ,,PECTIYE D..vrE.-The amendments made by
9. this section shall apply to plan loan offset amounts which
10. arc treated as distributed in taxable years heginning after
11. Det ember 31, 2017.
12. **PART VIII-EXEMPT ORGANIZATIONS**
13. **SEC. 13701. EXCISE TAX BASED ON INVESTMENT INCOME**
14. **OF PRIVATE COLLEGES AND UNIVERSITIES.**
15. (a) IN GENERAL.-Chapter 42 is amended by adding
16. at the end the following new subchapter:

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1. **"Subchapter H-Excise Tax Based on Invest-**
2. **ment Income of Private Colleges and Uni-**
3. **versities**

"See. 49(j8\_ Exeise tax based on investment ineorne of private colleges and uni­

versities.

1. **"SEC. 4968. EXCISE TAX BASED ON INVESTMENT INCOME**
2. **OF PRIVATE COLLEGES AND UNIVERSITIES.**
3. "(a) TA..X l}IPOSED.-Thcre is hcrehy imposed on
4. each applicable educational institution for the taxable year
5. a tax equal to 1.4 percent of the net inYestment income
6. of such institution for the taxable year.
7. "(b) APPLICABLE EDUCATIO AL I STITUTION.-For
8. purposes of this suhchaptcr-
9. "(1) Ix GENERAL.-The term 'applicable edu-
10. cational institution' means an eligible educational in-
11. stitution (as defined in section 25A(f)(2))-
12. "(A) which had at least 500 tuition-paying·
13. students during the preceding taxahle year,
14. "(B) which participated in and received
15. funds through a program described in section
16. 25A(f)(2)(B) during the preceding taxable year,
17. "(C) which is not described in the first
18. sentence of section 511(a)(2)(B) (relating to
19. State colleg·es and universities), and
20. "(D) the aggregate fair market Yalue of
21. the assets of which at the end of the preceding

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taxahle year (other than those assets which are used directly in carrying; out the institution's exempt purpose) is at least $500,000 per stu­ dent of the institution.

"(2) STCDENTS.-:B-,or purposes of paragraph (1), the numher of students of an institution shall be based on the daily average number of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis).

"(c) NET INVESTMEXT INCO rn.-For purposes of section, net investment income shall be determined

1. under rules similar to the rules of section 4940(c).
2. "(d) ASSE'l'S AXU NET IXYES'l'MENT INCOME 01•1 RE-
3. LATED 0RGA.."\'"IZATIONS.-
4. " (1) IN GENERAL.-For purposes of suh-
5. sections (b) (1) (C) and (c), assets and net investment
6. income of any related organization with respect to
7. an educational institution shall be treated as assets
8. and net investment income, respectiYely, of the edu-
9. cational institution, except that-
10. "(A) no such amount shall be taken into
11. account with respect to more than 1 educational
12. institution, and

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* 1. '' ( B) unless such organization is controlled
  2. by such institution or is described in section
  3. 509(a)(3) with respect to such institution for
  4. the taxable year, assets and net inn stment in-
  5. come which are not intended or available for
  6. the use or hcncfit of tlw Pducational institution
  7. shall not be taken into account.
  8. "(2) RELATED ORGANIZATION.- .,or purposes
  9. of this subsection, the term 'related organization'
  10. means, with respect to an educational institution,
  11. any organization which-
  12. "(A) controls, or is controlled by, such in-
  13. stitution,
  14. " ( B) 1s eontrolled by 1 or more persons
  15. which also control such institution, or
  16. "(C) is a supported organization (as de-
  17. fined in section 509(f)(3)), or an org·anization
  18. described in section 509(a)(3), during the tax-
  19. able year with respect to such institution.".
  20. (b) CLERICAL A.'VIENDMEXT .-The table of sub-
  21. chapters for chapter 42 is amended hy adding at the end
  22. the following· new item:

**"RUBCHAPTER H-EXCIRE TAX BARED ON INYERTMENT INCOME OF PRIVATE**

COLLEGES **A.1\J'D UNIYERSITIES".**

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* + 1. (c) EFFECTIYE DATE.-The amendments made hy
    2. this section shall apply to taxable years beg·inning· after 3 December 31, 2017.

1. **SEC. 13702. UNRELATED BUSINESS TAXABLE INCOME SEPA-**
2. **RATELY COMPUTED FOR EACH TRADE OR**
3. **BUSINESS ACTIVITY.**
4. (a) IN GENERAL.-Snbsection (a) of section 512 is
5. amended by adding at the end the following new para-
6. graph:
7. "(6) SPECIAL RULE FOR ORGANIZATION \VITH
8. MORE THAN 1 "CNRELATED TRADE OR B"CSIXESS.-
9. In the ease of any organization with more than 1
10. unrelated trade or business-
11. "(A) unrelated business taxable income, in-
12. eluding for purposes of determining any net op-
13. erating loss deduction, shall he computed sepa-
14. rately with respeet to each such trade or busi-
15. ness and without regard to subsection (b)(l2),
16. "(B) the unrelated business taxable ineome
17. of such organization shall be the sum of the un-
18. related husincss taxahle income so computed
19. with respect to each such trade or business, less
20. a specific deduction under subsection (b) (12),
21. and

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* 1. "(C) for purposes of suhparagraph **(B),**
  2. unrelated business taxable income with respect
  3. to any such trade or business shall not be less
  4. than zero.".
  5. **(b)** EFFECTIVE **DATE.-**
  6. (1) IN GENERAL.-Except to the extent pro-
  7. vidPd in paragTaph (2), the amendment made by this
  8. section shall apply to taxable years beginning after

9 December 31, 2017.

1. (2) CARRYOYERS OF NET OPERATING
2. LOSSES.-If any net operating loss arising in a tax-
3. able year beg·inning· before ,January 1, 2018, is car-
4. ried oyer to a taxable year beginning on or after
5. such date-
6. (A) subparagraph (A) of section 512(a)(6)
7. of the Internal Revenue Code of 1986, as added
8. by this Act, shall not apply to such net oper-
9. ating loss, and
10. ( B) the unrelated business taxable mcome
11. of the organization, after the application of sub-
12. paragraph (B) of such section, shall he reduced
13. by the amount of such net operating loss.

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* 1. **SEC. 13703. REPEAL OF DEDUCTION FOR AMOUNTS PAID IN**
  2. **EXCHANGE FOR COLLEGE ATHLETIC EVENT**
  3. **SEATING RIGHTS.**
  4. (a) IN GEXERAL.-Section 170(1) is amended-
  5. (**1)** by striking paragraph (**1)** and inserting the
  6. following:
  7. " (**1)** IN GENERAL.-N o deduction shall be al-
  8. lowed under this section for any amount described in
  9. paragraph (2).", and
  10. (2) in paragraph (2)(B), by striking "such
  11. amount would be allowable as a deduction under this
  12. section hut for the fact that".
  13. (b) EFFECTIVE DATE.-The amendments made by
  14. this section shall apply to contributions made in taxable
  15. years beginning after December 81, 2017.
  16. **SEC. 13704. REPEAL OF SUBSTANTIATION EXCEPTION IN**
  17. **CASE OF CONTRIBUTIONS REPORTED BY**
  18. **DONEE.**
  19. (a) Ix GENERAL.-Section 170(f)(8) is amended by
  20. striking suhparagraph (D) and hy redcsignating suhpara-
  21. graph (E) as subparagraph (D).
  22. (b) EF -,ECTIVE DATE.-The amendments made by
  23. this section shall apply to contributions made in taxable
  24. years beg·inning after December :n, 2016.

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* + 1. **PART IX-OTHER PROVISIONS**
    2. **Subpa A-Craft Beverage Modernization and Tax**

#### 3

4 **SEC.**

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**Reform**

**13801. PRODUCTION PERIOD FOR BEER, WINE, AND DISTILLED SPIRITS.**

1. IN GEXERAL.-Section 26:3A(f) is amended-
   1. by redesignating paragraph (4) as para­ graph (5), and
   2. hy inserting after paragraph (:3) the fol­ lowing· new parag-raph:

**"(4) EXE IPTION FOR AGING PROCESS OF BEER, WINE, AXD DISTII.,LED SPIRITS.-**

" (A) Ix GENERAL.-For purposes of this subsection, the production period shall not in­ clude the aging period for-

''(i) beer (as defined m section 5052(a) ),

"(ii) wme (as described m section 504l(a)), or

'' (iii) distilled spirits (as defined in section 5002(a)(8)), except such spirits that are unfit for use for beverage pur­ poses.

**"(B) TERMINATION.-This paragraph** shall not apply to interest eosts paid or accrued after December :31, 2019.''.

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1. (h) CoN ,OK\iIXG AMENDMENT.-Paragraph
2. (5)(B)(ii) of section 263A(f), as redesig·nated by this sec-
3. tion, is amended by inserting '' except as provided in para-
4. graph (4)," before "ending on the date".
5. (c) EFFECTIYE DATE.-The amendments made by
6. this section shall apply to interest costs paid or accrued
7. in calendar years beginning after December 31, 2017.
8. **SEC. 13802. REDUCED RATE OF EXCISE TAX ON BEER.**
9. (a) I GENEHAL.-Paragraph (1) of section 5051(a)
10. is amended to read as follows:
11. ''(l) IX GEXERAL.-
12. **"(A)** IMPOSITIOX OF TAX.-A tax is here­
13. by imposed on all beer brewed or produced, and
14. removed for consumption or sale, within the
15. United States, or imported into the United
16. States. Except as provided in paragraph (2),
17. the rate of such tax shall be the amount deter­
18. mined under this paragraph.
19. **"(B)** HATE.-Exeept as provided in sub­
20. paragraph (C), the rate of tax shall be $18 for
21. per barrel.
22. "(C) SPECIAL RULE.-ln the ease of beer
23. removed after December a1, 2017, and before
24. ,January 1, 2020, the rate of tax shall be-

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* 1. "(i) $16 on the first 6,000,000 harrels
  2. of beer-
  3. "(I) brewed by the brewer and
  4. removed during the ealendar year for
  5. consumption or sale, or
  6. "(II) imported hy the importer
  7. into the United States during- the ( al­
  8. endar year, and
  9. '' (ii) $18 on any barrels of bePr to
  10. which clause (i) does not apply.
  11. " ( D) BARREL.-For purposes of this sec­
  12. tion, a barrel shall contain not more than 31
  13. gallons of beer, and any tax imposed under this
  14. section shall be applied at a like rate for any
  15. other quantity or for fractional parts of a bar-
  16. rel.".
  17. **(b) REDUCED RATE POR CERTAIX DOMESTIC PR0-**
  18. DUCTION.-Subparagraph (A) of section 5051(a)(2) is
  19. amended-
  20. (I) in the heading, by striking "$7 *A* BARREL",
  21. and
  22. (2) by inserting- "($3.50 in the case of beer re-
  23. moved after December 31, 20 I 7, and before January 24 1, 2020)" after "$7".

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1. (c) APPLICATION OF REDUCED TAX RATE F,OR FoR-
2. EIGN MAXUFACTPRERS AND IMPORTERS.-Subseetion (a)
3. of section 5051 is amended-
4. (1) in subparagraph (C)(i)(II) of paragraph (1),
5. as amended by subsection (a), by inserting "but only
6. if the importer is an electing importer under para-
7. gTaph (4) and the barrels have been assigned to the
8. importer pursuant to such paragraph" after "during
9. the calendar year'', and
10. (2) by adding at the end the following new
11. paragraph:
12. "(4) REDUCED TAX RATE FOR FOREIGN MANU-
13. **FACTURERS AND IMPORTERS.-**
14. "(A) IN GENERAL.-In the ease of any
15. barrels of beer which have been brewed or pro-
16. duced outside of the United States and im-
17. ported into the United States, the rate of tax
18. applicable under clause (i) of paragraph (l)(C)
19. (referred to in this paragraph as the 'reduced
20. tax rate') may be assigned by the brewer (pro-
21. vided that the brewer makes an election de-
22. seribed in subparagTaph (B)(ii)) to any electing
23. importer of such barrels pursuant to the re-
24. quirements established by the Secretary under
25. subparagraph (B).

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* 1. " (B) AssmNMENT.-The Secreta1y shall,
  2. throug·h sueh rules, reg11lations, and procedures
  3. as are determined appropriate, establish proce­
  4. dures for assignment of the redueed tax rate
  5. provided under this paragraph, which shall in­
  6. clude-
  7. "(i) a limitation to ensure that the
  8. number of barrels of beer for which the re­
  9. dueed tax rate has been assigned by a
  10. brewer-
  11. "(!) to any importer does not ex­
  12. ceed the number of barrels of beer
  13. brewed or produced by such brewer
  14. during the ealendar year which were
  15. imported into the United States by
  16. such importer, and
  17. "(II) to all importers does not
  18. exceed the 6,000,000 barrels to which
  19. the redueed tax rate applies,
  20. "(ii) procedures that allow the election
  21. of a brewer to assign and an importer to
  22. receiYe the reduced tax rate provided under
  23. this paragraph,
  24. "(iii) requirements that the brewer
  25. provide any information as the Secretary

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1. determines necessary and appropriate for
2. purposes of earrying out this paragraph,
3. and
4. "(iY) proeedures that allow for revoea-
5. tion of eligibility of the brewer and the im-
6. porter for the reduced tax rate provided
7. under this paragraph in the case of any er-
8. roneous or fraudulent information provided
9. under elause (iii) whieh the Seeretary
10. deems to be material to qualifying for such
11. reduced rate.
12. "(C) CONTROLLED GROUP.-For purposes
13. of this section, any importer making an election
14. deseribed in subparagraph (B)(ii) shall be
15. deemed to be a member of the controlled group
16. of the hrewer, as descrihed under paragraph 17 (5).".
17. (d) COXTROLLED GROUP AND SINGLE TA..XPAYER
18. Rn.iES.-Subseetion (a) of seetion 5051, as amended by
19. this section, is amended-
20. (1) in paragraph (2)-
21. (A) by striking subparagraph **(B),** and
22. (B) by redesignating subparagraph (C) as
23. subparagraph **(B),** and

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1. (2) hy adding at the end the following new
2. paragraph:
3. "(5) CONTROLLED GROUP AND SINGLE TAX-
4. **PAYER HULES.-**
5. "(A) IN GENERAL.-Except as provided in
6. suhparagraph **(B),** in the case of a controlled
7. g-roup, the 6,000,000 barrel quantity speeifie<l
8. in paragraph (l)(C)(i) and the 2,000,000 barrel
9. quantity speeified in paragraph (2)(A) shall be
10. applied to the controlled group, and the
11. 6,000,000 harrel quantity specified m para­
12. g-raph (1)(C)(i) and the 60,000 barrel quantity
13. specified in paragraph (2) (A) shall be appor­
14. tioned among the brewers who are members of
15. such group in such manner as the Secretary or
16. their delegate shall hy regulations prescrihe.
17. For purposes of the preceding sentence, the
18. term 'controlled group' has the meaning as­
19. signed to it by subseetion (a) of seetion 1563,
20. except that for such purposes the phrase 'more
21. than 50 percent' shall he suhstituted for the
22. phrase 'at least 80 percent' in each place it ap­
23. pears in such subsection. Under regulations
24. preseribed by the Seeretary, prineiples similar
25. to the principles of the preceding two sentences

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1. shall he applied to a group of brewers under
2. eommon eontrol where one or more of the brew­
3. ers is not a corporation.
4. "(B) F'OREIGN J\lANUPAerURERS .A..,D 11\1-
5. PORTERS.-For purposes of paragraph (4), in
6. the case of a controlled group, the 6,000,000
7. barrel quantity speeified in paragraph (l)(C)(i)
8. shall be applied to the controlled group and ap­
9. portioned among the members of sueh group in
10. such manner as the Secretary shall by regula­
11. tions prescribe. For purposes of the preceding
12. sentence, the term 'controlled group' has the
13. meaning given such term under subparagraph
14. (A). Under regulations prescribed by the See­
15. retary, principles similar to the principles of the
16. preceding two sentences shall he applied to a
17. group of brewers under common control where
18. one or more of the brewers is not a corporation.
19. "(C) SIXGLE TAXPAYEH.-Pursuant to
20. rules issued by the Secretary, two or more enti­
21. ties (whether or not under common control)
22. that produee beer marketed under a similar
23. brand, license, franchise, or other arrangement
24. shall be treated as a single taxpayer for pur­
25. poses of the application of this subsection.".

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* 1. (e) EFFECTIVE DATE.-The amendments made by
  2. this seetion shall apply to beer remoYed after December 3 31, 2017.

1. **SEC. 13803. TRANSFER OF BEER BETWEEN BONDED FACILI-**
2. **TIES.**
3. (a) IN GEXERAL.-Section 5414 is amended-
4. (1) by striking "Beer may be removed" and in-
5. serting "(a) IN GENERAL.-Beer may be remoYed'',
6. and
7. (2) by adding at the end the following:
8. "(b) TRA..,SFER OF BEER BETWEEN BONDED FA-
9. CILITIES.-
10. "(1) IN GENERAL.-Beer may be remoYed from
11. one bonded brewery to another bonded brewery,
12. without payment of tax, and may be mingled with
13. beer at the receiving brewery, subject to such coudi-
14. tions, ineluding payment of the tax, and in such con-
15. tainers, as the Secretary by regulations shall pre-
16. scribe, which shall include-
17. "(A) any removal from one brewery to an-
18. other brewery belonging to the same brewer,
19. "(B) any removal from a brewery owned
20. by one corporation to a brewery owned by an-
21. other corporation when-

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* 1. "(i) one such corporation owns the
  2. controlling interest in the other such cor-
  3. poration, or
  4. "(ii) the controlling interest in each
  5. such corporation is owned by the same per-
  6. son or persons, and
  7. "(C) any removal from one brewery to an-
  8. other brewery when-
  9. "(i) the proprietors of transferring
  10. and receiving premises are independent of
  11. each other and neither has a proprietary
  12. interest, directly or indirectly, in the busi-
  13. ness of the other, and
  14. " (ii) the transferor has divested itself
  15. of all interest in the beer so transferred
  16. and the transferee has accepted responsi-
  17. bility for payment of the tax.
  18. "(2) TRAXS:B-,ER OF LIABILITY FOR TAX.-For
  19. purposes of paragraph (l)(C), such relief from liabil-
  20. ity shall be effectiYe from the time of removal from
  21. the transferor's bonded premises, or from the time
  22. of divestment of interest, whichever is later.
  23. "(3) TERMINATION.-This subsection shall not
  24. apply to any calendar quarter beginning after Dc- 25 cember 31, 2019.".

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1. (h) REMOVAL :B-,ROM BREWERY BY PIPELINE.-Sec-
2. tion 5412 is amended by inserting- ''pursuant to section
3. 5414 or" before "by pipeline".
4. (e) l PF'ECTffE DArrE.-The amendments made by
5. this section shall apply to any calendar quarters beginning
6. after December 31, 2017.
7. **SEC. 13804. REDUCED RATE OF EXCISE TAX ON CERTAIN**
8. **WINE.**
9. (a) I GE I.JHAL.-Seetion 5041(e) is amended by
10. adding at the end the following new paragraph:
11. "(8) SPECIAL RCLE FOR 2018 A.. D 2019.-
12. "(A) IN GENERAL.-In the ease of wine re­
13. moYed after December 31, 2017, and before
14. ,January 1, 2020, paragraphs (1) and (2) shall
15. not apply and there shall be allowed as a credit
16. against any tax imposed hy this title (other
17. than ehapters 2, 21, and 22) an amount equal
18. to the sum of-
19. " (i) $1 per wme gallon on the first
20. 30,000 wine gallons of wine, plus
21. "(ii) 90 cents per wine gallon on the
22. first 100,000 wine g-allons of wine to whieh
23. clause (i) does not apply, plus

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* 1. "(iii) 5:3.5 cents per ,v1ne gallon on
  2. the first 620,000 wine g·allons of wine to
  3. which clauses (i) and (ii) do not apply,
  4. which arc produeed by the producer and rc­
  5. moyed during the calendar year for consump­
  6. tion or sale, or which arl) imported hy the im­
  7. porter into the United States during· the eal­
  8. endar year.
  9. **"(B)** AD.HJSL\'IE T 01 ., CREDIT **I .,ou** IIARD
  10. CIDER.-ln the case of wine described in sub­
  11. section (h) (6), suhparagraph (A) of this para­
  12. graph shall be applied-
  13. "(i) in clause (i) of such subpara­
  14. graph, by substituting '6.2 eents' for **'$1**',
  15. "(ii) in clause (ii) of such subpara­
  16. graph, hy substituting '5.6 cents' for '90
  17. cents', and
  18. "(iii) in clause (iii) of such subpara­
  19. graph, by substituting '3.3 cents' for '53.5
  20. cents'.'',
  21. (h) CONTROLLED GROUP Ai. D SINGLE TAXPAYER
  22. RFLES.-Paragraph (4) of section 5041(c) is amended by
  23. striking "section 505l(a)(2)(B)" and inserting "section 24 5051(a)(5)".

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* + 1. (c) ALLOWANCE OF' CREDIT F'OR FOREIGN lVIANU-
    2. FACTURERS AND IMPORTERS.-Subsection (c) of section
    3. 5041, as amended by subsection (a), is amended-
    4. (1) in subparagraph (A) of paragraph (8), by
    5. inserting "but only if the importer is an electing im-
    6. porter under paragraph ( 9) and the wine gallons of
    7. wine have been assig·ned to the importer pursuant to
    8. such paragraph" after "into the United States dur-
    9. ing the calendar year'', and
    10. (2) by adding at the end the following new
    11. paragraph:
    12. "(9) ALLOWAXCE OF CREDIT FOR FOREIGN
    13. :\iANUFACTURERS AXD IMPORTERS.-
    14. "(A) I GENEHAL.-In the case of any
    15. wine gallons of wine which have been produced
    16. outside of the United States and imported into
    17. the United States, the credit allowable under
    18. paragraph (8) (referred to in this paragraph as
    19. the 'tax credit') may be assigned by the person
    20. who produced such wine (referred to in this
    21. paragraph as the 'foreign producer'), prmridcd
    22. that such person makes an election described in
    23. subparagraph (B)(ii), to any electing importer
    24. of such wine gallons pursuant to the require-

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1. ments estahlished hy the Secretary under suh-
2. paragraph (B).
3. "(B) AssIGNMENT.-The Secretary shall,
4. through sueh rules, regulations, and proeedures
5. as are determined appropriate, establish proce­
6. dures for assignment of the tax credit provided
7. under this paragraph, whieh shall include-
8. "(i) a limitation to ensure that the
9. number of ·wine gallons of wine for which
10. the tax credit has been assigned by a for­
11. eign producer-
12. "(I) to any importer does not ex­
13. ceed the number of wine gallons of
14. wme produced by sueh foreign pro­
15. ducer during the calendar year which
16. were imported into the United States
17. by such importer, and
18. "(II) to all importers does not
19. exeeed the 750,000 wine gallons of
20. wine to which the tax credit applies,
21. " (ii) procedures that allow the election
22. of a foreign producer to assign and an im­
23. porter to receive the tax credit prmi.decl
24. under this parag-raph,

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* 1. "(iii) requirements that the foreign
  2. prodneer provide any information as the
  3. Secretary determines necessary and appro-
  4. priate for purposes of carrying out this
  5. paragraph, and
  6. '' (iY) procedures that allow for revoca-
  7. tion of eligibility of the foreign producer
  8. and the importer for the tax credit pro-
  9. vided under this paragraph in the case of
  10. any erroneous or fraudulent information
  11. provided under clause (iii) which the Sec-
  12. retary deems to be material to qualifying
  13. for such credit.
  14. **"(C) CON'l'IWLLED GROUP.-For purposes**
  15. of this section, any importer making an election
  16. described in subparagraph (B)(ii) shall he
  17. deemed to be a member of the controlled group
  18. of the foreign producer, as described under
  19. paragraph (4).".
  20. (d) EFFECTIVE DATE.-The amendments made by
  21. this section shall apply to wine removed after December 22 31, 2017.

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1. **SEC. 13805. ADJUSTMENT OF ALCOHOL CONTENT LEVEL**
2. **FOR APPLICATION OF EXCISE TAX RATES.**
3. (a) IN GENERAL.-ParagTaphs (1) and (2) of seetion
4. 504l(b) are each amended by inserting "(16 percent in
5. the case of wine removed after December 31, 2017, and
6. before January 1, 2020" after "14 percent".
7. (h) EFFECTIVE DATE.-The amendments ma.de by
8. this seetion shall apply to ,vine removed after Deeember

9 31, 2017.

1. **SEC. 13806. DEFINITION OF MEAD AND LOW ALCOHOL BY**
2. **VOLUME WINE.**
3. (a) IN GEXERAL.-Section 5041 is a.mended-
4. (1) in subseetion (a), by striking· '' Still wines''
5. and inserting "Subject to subsection (h), still
6. wines", and
7. (2) by adding at the end the following new sub-
8. section:
9. "(h) MEAD AND Low ALCOHOL BY VOLUME
10. **WINE.-**
11. **"(1)** IN GENERAL.-For purposes of suh-
12. sections (a) and (b)(l), mead and low alcohol by vol-
13. ume wine shall be deemed to be still wines con-
14. taining· not more than 16 pereent of aleohol by Yol-
15. ume.
16. "(2) DEFINITIONS.-

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* 1. "(A) MEAD.-For purposes of this section,
  2. the term 'mead' means a wine-
  3. "(i) containing not more than 0.64
  4. gram of carbon dioxide per hundred milli­
  5. liters of wine, except that the Secretary
  6. shall hy regulations prcscrihe such toler­
  7. ances to this limitation as may be reason­
  8. ably necessary in good commercial prac­
  9. tice,
  10. " (ii) which 1s derived solely from
  11. honey and water,
  12. " (iii) which contains no fruit product
  13. or fruit flavoring, and
  14. "(iY) which contains less than 8.5 per­
  15. cent alcohol by Yolume.
  16. "(B) Low ALCOHOL BY VOLVME \VINE.­
  17. Forpurposes of this section, the term 'low alco­
  18. hol by Yolume wine' means a wine-
  19. "(i) containing not more than 0.64
  20. gram of carbon dioxide per hundred milli­
  21. liters of wine, except that the Secretary
  22. shall by reg11lations prescribe such toler­
  23. ances to this limitation as may be reason­
  24. ably necessary in good commercial prac­
  25. tice,

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* + 1. " (ii) which is derived-
    2. "(I) primarily from grapes, or
    3. "(II) from grape JUICe con-
    4. eentrate and water,
    5. "(iii) which contains no fruit product
    6. or fruit t1avoring other than grape, and
    7. "(iv) which contains less than 8.5 per-
    8. cent alcohol by Yolume.
    9. '' (3) TEHML\'ATION .-This subseetion shall not
    10. apply to wine removed after December :n, 2019.".
    11. (h) E1<1 FECTIVE DATE.-The amendments made hy
    12. this section shall apply to wine removed after Deeember 13 31, 2017.

1. **SEC. 13807. REDUCED RATE OF EXCISE TAX ON CERTAIN**
2. **DISTILLED SPIRITS.**
3. (a) IN GENERAL.-Section 5001 is amended hy re-
4. desig11ating subsection (c) as snbseetion (d) and by insert-
5. ing after subsection (b) the following new subsection:
6. "(e) REDUCED RATE FOR 2018 AND 2019.-
7. "(l) Ix GENERAL.-In the case of a distilled
8. spirits operation, the otherwise applicahle tax rate
9. under snbseetion (a)(l) shall be-
10. "(A) $2.70 per proof gallon on the first
11. 100,000 proof gallons of distilled spirits, and

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* 1. **"(B)** $13.:34 per proof gallon on the first
  2. 22,130,000 of proof gallons of distilled spirits
  3. to which subparagraph (A) does not apply,
  4. whieh haYe been distilled or proeess()d by sueh oper-
  5. ation and removed during the calendar year for con-
  6. surnption or sale, or which haw hcen imported hy
  7. the importer into the United States during- the cal-
  8. endar year.
  9. "(2) CONrrIWLliED GHOUPS.-
  10. "(A) Ix GEXERAL.-In the case of a con-
  11. trolled group, the proof gallon quantities spcci-
  12. fied under subparagTaphs (A) and (B) of para-
  13. graph (1) shall be applied to such group and
  14. apportioned among the members of such group
  15. in such manner as the Secretary or their dele-
  16. gate shall hy regulations prescribe.
  17. "(B) DEFINITION.-For purposes of sub-
  18. paragraph (A), the term 'controlled group' shall
  19. have tlw meaning g-iYen such term by subsection
  20. (a) of section 1563, except that 'more than 50
  21. percent' shall he suhstituted for 'at least RO
  22. percent' each place it appears in such sub-
  23. section.
  24. "(C) RCLES FOR XOX-CORPORATIONS.-
  25. Under regulations prescribed by the Secretary,

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1. principles similar to the principles of suhpara-
2. graphs (A) and (B) shall be applied to a g-ronp
3. under common control where one or more of the
4. persons is not a corporation.
5. **"(D)** SINGLE TAXPAYER.-Pursuant to
6. rules issued hy the Secretary, two or more enti-
7. ties (whether or not under common control)
8. that produce distilled spirits marketed under a
9. similar brand, license, franchise, or other ar-
10. rangement shall be treated as a single taxpayer
11. for purposes of the application of this suh-
12. section.
13. "(3) TERMINATION.-This subsection shall not
14. apply to distilled spirits removed after December 31, 15 2019.".
15. (h) CONFORMING AvIENDl\IEXT.-Section 7652(f)(2)
16. is amended by striking- "section 5001(a) (1)" and inserting
17. "subsection (a)(l) of section 5001, determined as if sub-
18. section (c)(1) of such sedion did not apply''.
19. (c) APPLICATION OF REDCCED TAX RATE FOR FOR-
20. EIGN l\L\Nu ,,ACTURERS AND IMPORTERS.-Suhscction (c)
21. of section 5001, as added by subsection (a), is amended-
22. (1) in paragraph (1 ), by inserting "but only if
23. the importer is an electing importer under para-
24. graph (3) and the proof gallons of distilled spirits

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1. haw heen assigned to the importer pursuant to such
2. parag-raph" after "into the United States <luring· the
3. calendar year'', and
4. (2) by redesignating paragraph (:3) as para-
5. graph (4) and by inserting after paragraph (2) the
6. following new paragraph:
7. "(3) REDrCED TAX RATE FOR FOREIGN MANr-
8. :B.,ACTrRERS A.."'\"D nIPORTERS.-
9. "(A) Ix GENEHAL.-In the ease of any
10. proof gallons of distilled spirits which have been
11. produced outside of the United States and im-
12. ported into the United States, the rate of tax
13. applicable under paragraph (1) (referred to in
14. this paragraph as the 'redueed tax rate') may
15. be assigned by the distilled sprits operation
16. (provided that such operation makes an election
17. <leseribe<l in snbparag-raph (B )(ii)) to any elect-
18. ing importer of such proof gallons pursuant to
19. the requirements established by the Seeretary
20. under subparagraph (B).
21. "(B) AssIGX:\IEXT.-The Secretary shall,
22. throug·h sueh rules, regulations, and proee<lures
23. as are determined appropriate, establish proce-
24. <lures for assignment of the redueed tax rate

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1. provided under this paragraph, which shall m-
2. elude-
3. "(i) a limitation to ensure that the
4. number of proof gallons of distilled spirits
5. for which the reduced tax rate has been as­
6. signed hy a distilled spirits operation-
7. "(I) to any importer does not ex­
8. ceed the number of proof gallons pro­
9. duced by such operation during the
10. calendar year which were imported
11. into the United States hy such im­
12. porter, and
13. "(II) to all importers does not
14. exceed the 22,230,000 proof g·allons of
15. distilled spirits to which the reduced
16. tax rate applies,
17. "(ii) procedures that allow the election
18. of a distilled spirits operation to assign
19. and an importer tu recein the reduc. ed tax
20. rate provided under this paragraph,
21. "(iii) requirements that the distilled
22. spirits operation proYide any information
23. as the Secretary determines necessary and
24. appropriate for purposes of carrying· out
25. this paragraph, and

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* 1. " (iY) procedures that allow for revoca-
  2. tion of elig·ibility of the distilled spirits op-
  3. eration and the importer for the reduced
  4. tax rate provided under this paragraph in
  5. the case of any erroneous or fraudulent in-
  6. formation provided under clause (iii) which
  7. the Secrrtary deems to be material to
  8. qualifying for such reduced rate.
  9. "(C) CONrrIWLLED GHOeP.-
  10. "(i) IN GENERAL.-For purposes of
  11. this section, any importer making an elec-
  12. tion described in subparagraph (B)(ii)
  13. shall be deemed to be a member of the
  14. controlled group of the distilled spirits op-
  15. eration, as described under paragraph (2).
  16. "(ii) APPORTIO MENT.-For purposes
  17. of this parag-raph, in thr case of a con-
  18. trolled group, rules similar to section
  19. 505l(a)(5)(B) shall apply.".
  20. (d) EFFECTIVE DATE.-The amendments made by
  21. this sPction shall apply to distilled spirits rPmoved after

22 December 31, 2017.

1. **SEC. 13808. BULK DISTILLED SPIRITS.**
2. (a) IN GEXERAL.-Section 5212 is amended by add-
3. ing at the end the following sentence: "In the case of dis-

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1. tilled spirits transferred in hond after December :n, 2017,
2. and before January 1, 2020, this section shall be applied
3. without regard to whether distilled spirits are bulk dis-
4. tilled spirits.".
5. (b) EFFECTIVE DATE.-The amendments made by
6. this section shall apply distilled spirits transferred in hond
7. after December 31, 2017.
8. **Subpart B-Miscellaneous Provisions**
9. **SEC. 13821. MODIFICATION OF TAX TREATMENT OF ALASKA**
10. **NATIVE CORPORATIONS AND SETTLEMENT**
11. **TRUSTS.**
12. (a) EXCLFSIO FOR ANCSA PAYMENTS ASSIGXED
13. TO ALASKA NATIVE SETTLE}IENT TRUSTS.-
14. (1) IN GEXEHAL.-Part III of subchapter B of
15. chapter 1 is amended by inserting before section 140
16. the following riev{ section:
17. **"SEC. 139G. ASSIGNMENTS TO ALASKA NATIVE SETTLE-**
18. **MENT TRUSTS.**
19. "(a) IN GE EHAL.-ln the case of a Native Corpora-
20. tion, gross income shall not include the value of any pay-
21. mcnts that would otherwise he made, or treated as heing
22. made, to such Native Corporation pursuant to, or as re-
23. quired by, any provision of the Alaska Xative Claims Set-
24. tlcmcnt A( t (43 U.S.C. 1601 ct seq.), ineluding any pay-
25. ment that would otherwise be made to a Village Corpora-

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1. tion pursuant to section 7(j) of the Alaska Native Claims
2. Settlement Aet (43 U.S.C. 1606(j)), provided that any
3. such payments-
4. "(**1)** arc assigned m writing to a Settlement
5. Trust, and
6. "(2) were not rcceiYed hy such NatiYe Corpora-
7. tion prior to the assignment deseribed in paragraph

###### 8 (1).

9 "(b) INCLCSIO r Guoss INCOl\IE.-In the ease of

10 a Settlement Trust which has been assigned payments de­ ll scrihed in subsection (a), gross income shall include such

1. payments when reeeived by such Settlement Trust pursu-
2. ant to the assignment and shall have the same character
3. as if sueh payments were received by the Native Corpora-
4. tion.
5. "(c) A."\IOUNT D SCOPE OF ASSIGNMENT.-The
6. amount and scope of any assignment under subsection (a)
7. shall be described with reasonable particularity and may
8. either be in a percentage of one or more such payments
9. or in a fixed dollar amount.
10. "(d) DCRATIOX OF ASSIGXMEXT; REVOCABILITY.-
11. Any assignment under subseetion (a) shall specify-
12. '' (1) a duration either in perpetuity or for a pe-
13. riod of time, and
14. "(2) whether such assignment is reYocable.

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* 1. "(e) PROHIBITION ON DEDUCTION.-Notwith-
  2. standing- section 247, no deduction shall be allowed to a
  3. ative Corporation for purposes of any amounts described
  4. in subseetion (a).
  5. "(f) DEFINITIONS.-For purposes of this section, the
  6. terms 'Natiw Corporation' and 'Settlement Trust' han
  7. the same meaning given snch terms under section

8 646(h).".

9 (2) CONI ,OHMING AMENDMENT.-The table of

1. sections for part III of subchapter B of chapter 1
2. is amended by inserting before the item relating to
3. section 140 the following· new item:

"Sec. 139G. Assignments to Alaska ative Settlement Trusts.".

1. (3) EFFECTIYE DATE.-The amendments made
2. by this subsection shall apply to taxable years bcgin-
3. ning after December 31, 2016.
4. (b) DEDUCTION OF CONTRIBUTIONS TO ALASKA NA-
5. TIVE SETTLEMENT TRPSTS.-
6. (1) IN GENERAL.-Part VIII of subchapter B
7. of chaptPr 1 is amended by inserting bcforp section
8. 248 the following new section:
9. **"SEC. 247. CONTRIBUTIONS TO ALASKA NATIVE SETTLE-**
10. **MENT TRUSTS.**
11. "(a) IN GENERAL.-In the case of a Native Corpora-
12. tion, there shall he allowed a deduction for any contrihu-
13. tions made by such Native Corporation to a Settlement

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1. Trust (regardless of whether an election under section 646
2. is in effect for snch Settlement Trust) for which the Na-
3. tiYe Corporation has made an annual election under sub-
4. section (c).
5. "(b) AMOUNT OF DEDCCTIOX.-The amount of the
6. deduction under suhsection (a) shall he equal to-
7. **"(1)** in the case of a cash contribution (reg·ar<l-
8. less of the method of payment, including currency,
9. coins, money order, or check), the amount of such
10. contribution, or
11. "(2) in the case of a coutrihution not descrihed
12. in paragraph (1), the lesser of-
13. "(A) the NatiYe Corporation's adjusted
14. basis in the property contributed, or
15. '' (B) the fair market value of the property
16. contributed.
17. "(c) Lil\HTATIOX AXD CARRYOYER.-
18. "(1) IN GENERAL.-Subject to paragraph (2),
19. the deduction allowed under subseetion (a) for any
20. taxable year shall not exceed the taxable income (as
21. determined without regard to such deduction) of the
22. Native Corporation for the taxable year in whi( h the
23. contribution was made.
24. "(2) CARRYOYER.-If the aggregate amount of
25. contributions described in subsection (a) for any tax-

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1. ahle year exceeds the limitation undPr paragraph
2. (1), such excess shall be treated as a contribution
3. described in subsection (a) in each of the 15 suc-
4. eceding years in order of time.
5. " (d) DEFINITIONS.-For purposes of this section, the
6. terms 'NatiYc Corporation' and 'Settlement Trust' haw
7. the same meaning given such terms under section 646(h).
8. "(e) MANNER OF MAKING ELECTION.-
9. "(1) IN GENEHAL.-For caeh taxable year, a
10. Native Corporation may elect to haYe this section
11. apply for such taxahlc year on the income tax return
12. or an amendment or supplement to the return of the
13. Native Corporation, with such election to have effect
14. solely for such taxable year.
15. ''(2) REYOCATION.-Any election made by a
16. Native Corporation pursuant to this suhsection may
17. be reYoked pursuant to a timely filed amendment or
18. supplement to the income tax return of such Native
19. Corporation.
20. " (f) ADDITIONAL RULES.-
21. "(1) EARNINGS AND PROFITS.-Notwith-
22. standing section 646(d)(2), in the ease of a Native
23. Corporation which claims a deduction under this sec-
24. tion for any taxable year, the earnings and profits

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1. of such Natin Corporation for such taxable year
2. shall be re<luee<l by the amount of sueh <le<lnetion.
3. "(2) GAIX OR LOSS.-No gain or loss shall be
4. recognized by the Native Corporation with respeet to
5. a contribution of property for which a deduction is
6. allowed under this section.
7. "(3) INCOME.-Subject to subsection (g-), a Set-
8. tlement Trust shall include in income the amount of
9. any deduetion allowed under this section in the tax-
10. able year in which the Settlement Trust actually re-
11. ceives such contrihution.
12. "( 4) PERIOD.-The holding· period under sec-
13. tion 1223 of the Settlement Trust shall include the
14. period the property was held by the Native Corpora-
15. tion.
16. " (5) BASIS.-The ha.sis that a Settlement Trust
17. has for which a deduction is allowed under this sec-
18. tion shall be equal to the lesser of-
19. "(A) the adjusted basis of the Native Cor-
20. poration in such property immediately before
21. such contrihution, or
22. '' (B) the fair market value of the property
23. immediately before such contribution.
24. "(6) PROHIBITION.-No deduction shall be al-
25. lowed under this section with respect to any con-

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1. trihutions made to a Settlement Trust which arc in
2. violation of subsection (a)(2) or (c)(2) of section 39
3. of the Alaska Native Claims Settlement Act (43 4 U.S.C. 1629e).
4. **"(g) ELECTIOX BY SETTLEMEXT TRCST To DEFER**
5. **IXCOME RECOGXITIOX.-**
6. **"(1)** I GEKERAL.-ln the case of a contribu-
7. tion which consists of property other than cash, a
8. Settlement T1rust may elect to defer recognition of
9. any income related to such property until the sale or
10. exchange of such property, in whole or in part, hy
11. the Settlement Trust.
12. "(2) TREAT 1ENT.-ln the case of property de-
13. scribed in paragraph (1), any income or gain real-
14. ized on the sale or exchange of such property shall
15. he treated as-
16. "(A) for such amount of the income or
17. gain as is equal to or less than the amount of
18. income which would be included in income at
19. the time of contribution under subsection (f)(3)
20. hut for the taxpayer's election under this suh-
21. section, ordinary income, and
22. "(B) for any amounts of the income or
23. gain which are in excess of the amount of in-
24. come which would be included in income at the

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1. time of contrihution under suhsection (f)(3) hut
2. for the taxpayer's eleetion under this sub­
3. section, hmi.ng the same character as if this
4. subseetion did not apply.
5. **"(3) ELECTIOX.-**
6. "(A) Ix GEXERAL.-For each taxable year,
7. a Settlement Trust may elect to apply this sub­
8. section for any property described in paragraph
9. (1) whieh was ( ontributed during sueh year.
10. Any property to which the election applies shall
11. he identified and described with reasonahle par­
12. tieularity on the income tax return or an
13. amendment or supplement to the return of the
14. Settlement Trust, with sueh eleetion to haw ef­
15. fect solely for such taxable year.
16. " ( B) REYOCATION.-Any election made hy
17. a Settlement Trust pursuant to this subsection
18. may be revoked pursuant to a timely filed
19. amendment or supplement to the ineome tax re­
20. turn of such Settlement Trust.
21. **"(C) CERTAIN DISPOSITIOXS.-**
22. "(i) Ix GEXERAL.-In the ease of any
23. property for which an election is in effect
24. under this subseetion and which is dis­
25. posed of within the first taxable year sub-

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1. sequent to the taxable year in which such
2. property was contributed to the Settlement
3. Trust-
4. "(!) this seetion shall be applied
5. as if the election under this subsection
6. had not been made,
7. "(II) any income or g·am which
8. would have been included in the year
9. of eontribution under subseetion (f)(3)
10. but for the taxpayer's election under
11. this subsection shall he included in in­
12. come for the taxable year of such con­
13. tribution, and
14. "(III) the Settlement Trust shall
15. pay any increase in tax resulting from
16. such inclusion, including any applica­
17. ble interest, and increased by 10 per­
18. cent of the amount of such increase
19. with interest.
20. " (ii) ASSESSMENT .-Notwithstanding
21. section 6501(a), any amount described in
22. subelanse (III) of clause (i) may be as­
23. sessed, or a proceeding in court with re­
24. speet to sueh amount may be initiated
25. without assessment, within 4 years after

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1. the date on which the return making the
2. election under this subsection for such
3. property was filed.''.
4. (2) CONPOHl\IING AMENDMENT.-The table of
5. sections for part VIII of subchapter B of chapter 1
6. is amended hy inserting hefore the item relating to
7. section 248 the following; new item:

"Sec. 247. Contributions to Alaska Native Settlement Trusts.".

1. (:3) EFJ.-,ECTIVE DATE.-
2. (A) IN GENERAL.-The amendments made
3. by this subsection shall apply to taxable years
4. for which the period of limitation on refund or
5. credit under section 6511 of the Internal ReY­
6. enue Code of 1986 has not expired.
7. (B) 0XE-YEAR WAIVER OF RTATUTE OF
8. LIMITATIONS.-If the period of limitation on a
9. credit or refund resulting from the amendments
10. made by paragraph (1) expires before the end
11. of the I-year period beginning on the date of
12. the enactment of this Act, refund or credit of
13. such overpayment (to the extent attributable to
14. such amendments) may, neyertheless, he made
15. or allowed if claim therefor is filed before the
16. close of such I-year period.

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* 1. (c) INFORMATIOX REPORTING FOR DEDUCTIBLE
  2. CONTRIBeTIONS TO ALASKA NATIVE SETTLEMENT
  3. TRFSTS.-
  4. (1) IN GENEHAL.-Section 60:39H 1s amend-
  5. ed-
  6. (A) in the heading, hy striking **"SPON·**
  7. **SORING",** and
  8. (B) by adding at the end the following new
  9. subsection:
  10. "(e) DEDlJCTIBLE COXTRIBlITIONS BY NATIVE COR-
  11. PORATIONS TO ALASKA XATIVE SETTLEMEXT TRrSTS.-
  12. "(1) IN GENERAL.-Any Native Corporation (as
  13. defined in subsection (m) of section 3 of the Alaska
  14. Native Claims Settlement Act (4:3 U.S.C. 1602(m)))
  15. which has made a contribution to a Settlement
  16. Trust (as defined in subsection (t) of such section)
  17. to which an election under subsection (e) of section
  18. 247 applies shall provide such Settlement Trust with
  19. a statement regarding such election not later than

20 January 31 of the calendar year subsequent to the

1. calendar year in which the contrihution was made.
2. "(2) CONTENT OF STATE 1EXT.-The state-
3. ment described in paragraph (1) shall include-

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* 1. **"(A)** the total amount of contrihutions to
  2. which the election under subsection (e) of sec-
  3. tion 247 applies,
  4. **"(B)** for each contribution, whether such
  5. contribution was in cash,
  6. "(C) for each contrihution which consists
  7. of property other than cash, the date that such
  8. property was acquired by the Native Corpora-
  9. tion and the adjusted basis and fair market
  10. value of such property on the date such prop-
  11. crty was contrihutcd to the Settlement Trust,
  12. "(D) the date on which each contribution
  13. was made to the Settlement Trust, and
  14. "(E) such information as the Secretary de-
  15. termines to be necessary or appropriate for the
  16. identification of each contrihution and the accu-
  17. rate inclusion of income relating to such con-
  18. tributions by the Settlement Trust.".
  19. (2) C0NI•-,0Hl\IING AMENDMENrr.-The item re-
  20. lating to section 6039H in the table of sections for
  21. suhpart A of part III of suhchapter A of chapter 61
  22. is amended to read as follows:

"Sec. 6039H. Information With Respect to Alaska Xative Settlement Trusts and NatiYe Corporations.".

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* + 1. (3) EFFECTIVE DATE.-The amendments made
    2. by this subsection shall apply to taxable years beg·in-
    3. ning after December 31, 2016.
    4. **SEC. 13822. AMOUNTS PAID FOR AIRCRAFT MANAGEMENT**
    5. **SERVICES.**
    6. (a) IN GENERAL.-Suhsection (e) of section 4261 is
    7. amended by adding· at the end the follmving- new para-
    8. graph:
    9. "(5) .AMouxrrs PAID },OH AIHCHAFT MANAGE­
    10. **MENT** SERVICES.-
    11. " (A) IN GENERAL.-No tax shall he nn-
    12. posed by this seetion or section 4271 on any
    13. amounts paid by an aircraft owner for aircraft
    14. management services related to-
    15. " (i) maintenance and support of the
    16. aircraft mvner's aircraft, or
    17. "(ii) flights on the aircraft owner's
    18. aircraft.
    19. '' (B) AIRCRAFT l\1AN.AGEMEWr SEHV-
    20. ICES.-For purposes of subparagraph (A), the
    21. term 'aircraft management services' includes-
    22. "(i) assisting- an aircraft uwner with
    23. administrative and support services, such
    24. as scheduling, tlight planning, and weather
    25. forecasting,

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* + - 1. "(ii) ohtaining insurance,
      2. "(iii) maintenanee, storage and fuel­
      3. ing of aircraft,
      4. "(iy) hiring, training, and provision of
      5. pilots and crew,
      6. ''(v) estahlishing and complying with
      7. safety standards, and
      8. "(vi) such other services as are nec­
      9. essary to support flights operated by an
      10. aircraft owner.
      11. "(C) LESSEE TREATED AS AIRCRAFT
      12. **OWNER.-**
      13. "(i) IN GENERAL.-For purposes of
      14. this paragraph, the term 'aireraft owner'
      15. includes a person who leases the aircraft
      16. other than under a disqualified lease.
      17. "(ii) DISQUALIFIED LEASE.-For pur­
      18. poses of clause (i), the term 'disqualified
      19. lease' means a lease from a person pro­
      20. viding aircraft management services with
      21. respect to such aircraft (or a related per­
      22. son (within the meanmg of seetion
      23. 465(b) (3)( C)) to the person prmiding such
      24. serviees), if sueh lease is for a term of :31
      25. days or less.

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1. "(D) PRO RATA ALLOCATION.-In the case
2. of amounts paid to any person which (but for
3. this subsection) are subject to the tax imposed
4. by subsection (a), a portion of which consists of
5. amounts described in subparagraph **(A),** this
6. paragraph shall apply on a pro rata hasis only
7. to the portion which consists of amounts de-
8. scribed in such subparagraph.''.
9. (b) Er ,r ,ECTIYE DATE.-The amendment made by
10. this section shall apply to amounts paid after the date of
11. the enactment of this Act.
12. **SEC. 13823. OPPORTUNITY ZONES.**
13. (a) IN GENERAL.-Chapter 1 is amended by adding
14. at the end the following:
15. **"Subchapter Z-Opportunity Zones**

"See. 1400Z-l. Designation.

"Sec. 1400Z-2. Special rules for capital gains invested in opportunity zones.

1. **"SEC. 1400Z-1. DESIGNATION.**
2. "(a) QUALIFIED OPPORTTJNITY ZONE DEFINED.-
3. For the purposes of this subchapter, the term 'qualified
4. opportunity zone' means a population census tract that
5. is a low-income community that is designated as a quali-
6. fied opportunity zone.
7. "(b) DESIGNATION.-
8. "(1) IN GENERAL.-For purposes of subsection
9. (a), a population census tract that is a low-income

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1. community is designated as a qualified opportunity
2. zone if-
3. **"(A)** not later than the end of the deter-
4. mination period, the governor of the State in
5. which the tract is located-
6. '' (i) nominates the tract for desigua-
7. tion as a qualified opportunity zone, and
8. "(ii) notifies the Secretary in writing
9. of such nomination, and
10. "(B) the Secretary certifies such nomma-
11. tion and designates such tract as a qualified op-
12. portunity zone before the end of the consider-
13. ation period.
14. "(2) Ex'rENSION OF' PEHIODS.-A governor
15. may request that the Secretary extend either the de-
16. termination or consideration period, or hoth (deter-
17. mined without regard to this subparagTaph), for an
18. additional 30 days.
19. " (c) Onrnu DEr -,rxrrIONS.-For purposes of this
20. subsection-
21. "(1) LOW-INCOME COMMUNITIES.-The term
22. 'low-income community' has the same meaning· as
23. when used in section 45D(e).
24. "(2) DEFINITION OF PERIODS.-

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* 1. "(A) CoxSIDERATION PERIOD.-The term
  2. 'consideration period' means the 30-day period
  3. beginning on the date on which the Secretary
  4. receives notice under subsection (b)(l)(A)(ii),
  5. as extended under subsection (b)(2).
  6. **"(B)** DETERMINATION PERIOD.-The term
  7. 'determination period' means the 90-day period
  8. beginning on the date of the enactment of the
  9. 'rax Cuts and ,Jobs Act, as extended under sub-
  10. section (b)(2).
  11. "(:3) STATE.-For purposes of this section, the
  12. term 'State' includes any possession of the United
  13. States.
  14. "(d) NUMBEH or -, DESIGXATIONS.-
  15. "(l) IN GEXERAL.-Except as provided by
  16. paragraph (2), the number of population census
  17. traets in a State that may be designated as qualified
  18. opportunity zones under this section may not exceed
  19. 25 percent of the number of low-income communities
  20. in the State.
  21. "(2) EXCEPTION.-If the number of low-income
  22. communities in a State is less than 100, then a total
  23. of 25 of such tracts may be designated as qualified
  24. opportunity zones.

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1. "(e) DESIGNATION OF TRACTS CONTIGUOUS \\rITH
2. Low-INCOME COMMUNITIES.-
3. "(1) IN GENERAL.-A population census tract
4. that is not a low-income community may be des-
5. ignated as a qualified opportunity zone under this
6. section if-
7. **"(A)** the tract is contiguous with the low-
8. income community that is designated as a
9. qualified opportunity zone, and
10. **"(B)** the median family income of the tract
11. does not exceed 125 percent of the median fam-
12. ily income of the low-income community with
13. which the tract is contiguous.
14. "(2) LIMI'l'ATIOX.-Not more than 5 percent of
15. the population census tracts designated in a State as
16. a qualified opportunity zone may he designated
17. under paragraph (1).
18. "(f) PERIOD FOR WHICH DESIGNATION ls IN EF-
19. PEC'r.-A designation as a qualified opportunity zone
20. shall remain in effect for the period beginning on the date
21. of the designation and ending at the close of the 10th cal-
22. endar year beginning on or after such date of designation.

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1. **"SEC. 1400Z-2. SPECIAL RULES FOR CAPITAL GAINS IN-**
2. **VESTED IN OPPORTUNITY ZONES.**
3. "(a) IN GENERAL.-In the case of g-ain from the sale
4. to, or exchange with, an unrelated person of any property
5. held by the taxpayer, at the election of the taxpayer-
6. '' (**1)** gross income for the taxable year shall not
7. include so much of such gain as does not exceed the
8. aggregate amount invested by the taxpayer in a
9. qualified opportunity fund during the 180-day period
10. beginning on the date of such sale or exchange,
11. "(2) the amount of gain excluded by paragraph
12. (1) shall he included in gross income as provided hy
13. subsection (b), and
14. "(3) subsection (c) shall apply.
15. No election may be made under the preceding sentence
16. with respect to a sale or exchange if an election previously
17. made with respect to such sale or exchange is in effect.
18. "(b) DEFERRAL OF GAIN INVESTED IN OPPOR-
19. **TUNITY ZONE PROPERTY.-**

2O " (1) YEAR OF INCLURION.-Gain to which suh-

1. section (a)(2) applies shall be included in income in
2. the taxable year which includes the earlier of-
3. "(A) the date on which such inYestment is
4. sold or exchanged, or

25 "(B) December 31, 2026.

**26 "(2)** Al\1:OUNT IXCLt'DIBLE.-

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1. "(A) IN GEKERAL.-The amount of gam
2. induded in gross income under subsection
3. (a) (1) shall be the excess of-
4. " (i) the lesser of the amount of gain
5. excluded under paragraph (1) or the fair
6. market value of the property as determined
7. as of the date described in paragraph (1),
8. over
9. "(ii) the taxpayer's basis m the m­
10. vestment.
11. "(B) DETERMINATION OF BASIS.-
12. "(i) IN GENERAL.-Except as other­
13. wise provided in this clause or subsection
14. (c), the taxpayer's basis in the investment
15. shall be zero.
16. "(ii) INCREASE FOR GAIN RECOG­
17. NIZED VNDER SVBSECTION (a)(2).-The
18. basis in the investment shall be increased
19. by the amount of gain recognized by rea­
20. son of subsection (a)(2) with respect to
21. such property.
22. "(iii) INVESTMENTS HELD FOR 5
23. YEARS.-In the case of any investment
24. held for at least 5 years, the basis of such
25. investment shall be increased by an

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1. amount equal to 10 percent of the amount
2. of g·ain deferred by reason of subsection

3 (a)(l ).

1. "(iY) INVES'l'lIEX'l'S IIELD FOl{ 7
2. YEARS.-ln the case of any investment
3. held hy the taxpayer for at least 7 years,
4. in addition to any adjustment made under
5. clause (iii), the basis of such property shall
6. be increased by an amount equal to 5 per-
7. cent of the amount of gain deferred by rea-
8. son of suhsection (a)( 1).
9. "(c) SPECIAL RrLE FOR 1 1VESTMEXTS HELD FOR
10. AT LEAST 10 YEARS.-ln the case of any inYestment held
11. by the taxpayer for at least 10 years and with respeet to
12. which the taxpayer makes an election under this clause,
13. the hasis of such property shall he equal to the fair market
14. value of such investment on the date that the investment
15. is sold or exchanged.
16. "(d) QrAl,IFrnD OPPOH'lTXITY FUXD.-For pur-
17. poses of this section-
18. **"(1)** Q-CALIFIED OPPORT1\_"XITY FUND.-The
19. term 'qualified opportunity fund' means any inYest-
20. ment vehicle which is organized as a corporation or
21. a partnership for the purpose of investing in quali-
22. fied opportunity zone property (other than another

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1. qualified opportunity fund) that holds at least *90*
2. pereent of its assets m qualified opportunity zone
3. property, determined-
4. **"(A)** on the last day of the first ti-month
5. period of the taxable year of the fund, and
6. **"(B)** on the last day of the taxable year of
7. the fund.
8. **"(2) QUALIFIED OPPORTUNITY ZONE PROP-**
9. **EHTY.-**
10. **"(A) IN GENERAL.-The** term 'qualified
11. opportunity zone property' means property
12. which is-
13. " (i) qualified opportunity zone stock,
14. "(ii) qualified opportunity zone part­
15. nership interest, or
16. "(iii) qualified opportunity zone busi­
17. ness property.
18. **"(B) QUALIFIED OPPORTUNITY ZONE**
19. **STOCK.-**
20. "(i) IN GENERAL.-Except as pro­
21. vided in clause (ii), the term 'qualified op­
22. portunity zone stock' means any stock in a
23. domestic corporation if-
24. " (I) such stock is acquired by the
25. taxpayer after December n, 2017, at

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1. its original issue (directly or through
2. an underwriter) from the corporation
3. solely in exchange for cash,
4. '' (II) as of the time such stock
5. was issued, such corporation was a
6. qualified opportunity zone husiness
7. (or, in the case of a new corporation,
8. such corporation was being organized
9. for purposes of being a qualified op­
10. portunity zone business), and
11. "(III) during suhstantially all of
12. the taxpayer's holding period for such
13. stock, such corporation qualified as a
14. qualified opportunity zone business.
15. "(ii) **REDEMPTIONS.-A rule similar**
16. to the rule of section 1202(c)(3) shall
17. apply for purposes of this paragTaph.
18. **"(C) QUALIFIED OPPORTUNITY ZONE**
19. PAHTXEHSIIIP IN'rEHES'l'.-The term 'qualified
20. opportunity zone partnership interest' means
21. any capital or profits interest in a domestic
22. partnership if-
23. " (i) such interest is acquired by the
24. taxpayer after Deecmber :31, 2017, from
25. the partnership solely in exchange for cash,

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* 1. '-'(ii) as of the time such interest was
  2. acquired, such partnership was a qualified
  3. opportunity zone business (or, in the case
  4. of a new partnership, such partnership was
  5. being organized for purposes of being a
  6. qualified opportunity zone husiness), and
  7. "(iii) during substantially all of the
  8. taxpayer's holding period for such interest,
  9. such partnership qualified as a qualified
  10. opportunity zone business.
  11. **"(D) QL"ALIFIED OPPORTUNITY ZONE**
  12. **BUSINESS PROPERTY.-**
  13. " (i) Ix GEXERAL.-The term 'quali­
  14. fic1d opportunity zone business property'
  15. means tangible property used in a trade or
  16. husiuess of the taxpayer if-
  17. " (I) such property was acquired
  18. by the taxpayer by purchase (as de­
  19. fined in section 179(d)(2)) after De­
  20. cember :n, 2017,
  21. "(II) the original use of such
  22. property in the qualified opportunity
  23. zone commences with the taxpayer or
  24. the taxpayer substantially improves
  25. the property, and

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* + 1. "(III) during suhstantially all of
    2. the taxpayer's holding· period for such
    3. property, substantially all of the use
    4. of such property was in a qualified op-
    5. portunity zone.
    6. "(ii) SUBSTANTIAL IMPROVEMENT.-
    7. For purposes of subparagTaph (A)(ii),
    8. property shall be treated as substantially
    9. improw d by the taxpayer only if, during
    10. any 30-month period beginning after the
    11. date of acquisition of such property, addi-
    12. tions to basis with respect to such property
    13. in the hands of the taxpayer exceed an
    14. amount equal to the adjusted basis of such
    15. property at the beginning of such 30-
    16. month period in the hands of the taxpayer.
    17. "(iii) RELATED PARTY.-For pur-
    18. poses of subparagraph (A)(i), the related
    19. person rule of section 179(d)(2) shall be
    20. applied pursuant to paragraph (8) of this
    21. subsection in lieu of the application of such
    22. rule in section l 79(d)(2)(A).
    23. "(3) QUALIFIED OPPORTUNITY ZONE BUSI-
    24. NESS.-

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* + - 1. "(A) Ix GENERAL.-The term 'qualified
      2. opportunity zone business' means a trade or
      3. business-
      4. " (i) m whieh substantially all of the
      5. tangible property owned or leased by the
      6. taxpayer is qualified opportunity zone husi-
      7. ness property,
      8. " (ii) which satisfies the requirements
      9. of paragraphs (2), (4), and (8) of seetion

10 1897C(b), and

11 '' (iii) which is not described in section 12 144(c)(6)(B).

1. "(B) SPECIAL RULE.- -,or purposes of
2. subparagraph (A), tangible property that eeases
3. to be a qualified opportunity zone business
4. property shall continue to he treated as a quali-
5. fied opportunity zone business property for the
6. lesser of-
7. "(i) 5 years after the date on whieh
8. such tangible property ceases to be so
9. qualified, or
10. "(ii) the date on whieh sueh tang·ible
11. property is no longer held by the qualified
12. opportunity zone business.
13. "(e) APPLICABLE ReLES.-

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* 1. "(l) THEAT::\fENT OF INVEsTMENTs

WITH

* 1. MIXED FVNDS.-In thP case of any investment in a
  2. qualified opportunity fund only a portion of which
  3. consists of investments of gain to which an election
  4. under subsection (a)(l) is in effect-
  5. "(A) such inw stment shall he treated as 2
  6. separate investments, consisting· of-
  7. "(i) one inYestment that only includes
  8. amounts to which the election under sub-
  9. section (a)(1) applies, and
  10. '' (ii) a separate investment consisting
  11. of other amounts, and
  12. "(B) subsections (a), (b), and (c) shall
  13. only apply tu the investment described in sub-
  14. paragraph (A)(i).
  15. "(2) RELATED PERSONS.-For purposes of this
  16. section, persons are related to each other if such
  17. persons are described in section 267(b) or 707(b)(l),
  18. determined by substituting '20 percent' for '50 per-
  19. cent' each place it occurs in such sections.
  20. " (3) DECEDEXTS.-ln the case of a decedent,
  21. amounts recog·nize<l under this section shall, if not
  22. properly includible in the gross income of the dece-
  23. dent, be indudible in gross income as provided by
  24. section 691.

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* + 1. "( 4) REGULATIONS.-The Secreta1y shall pre-
    2. scribe such regulations as may be necessary or ap-
    3. propriate to carry out the purposes of this section,
    4. ineluding-
    5. "(A) rules for the certification of qualified
    6. opportunity funds for the purposes of this sec-
    7. tion, and
    8. "(B) rules to prevent abuse.
    9. "(f) FAILL'HE OP QCALU,IED OPPOH'rCNI'rY }1-,CND
    10. TO MAINTAIN l ST:\IEXT STANDARD.-
    11. "(1) IN GENERAL.-If a qualified opportunity
    12. fund fails to meet the flO-percent requirement of
    13. subsection (c)(1), the qualified opportunity fund
    14. shall pay a penalty for each month it fails to meet
    15. the requirement in an amount equal to the product
    16. of-
    17. "(A) the excess of-
    18. "(i) the amount equal to 90 percent of
    19. its aggregate assets, over
    20. "(ii) the aggregate amount of quali-
    21. fied opportunity zone property held hy the
    22. fund, multiplied by
    23. "(B) the underpayment rate established
    24. under section 662l(a)(2) for sueh month.

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1. **"(2) SPECIAL** RULE **FOR PARTNERSHIPS.-ln**
2. the ease that the qualified opportunity fund is a
3. partnership, the penalty imposed by paragraph (**1)**
4. shall be taken into aeeount proportionately as part
5. of the distributive share of each partner of the part-
6. nership.
7. "(3) REASONABLE CAPSE EXCEPTION.-No
8. penalty shall be imposed under this subsection ·with
9. respeet to any failure if it is shown that sueh failure
10. is due to reasonable cause.".
11. (h) BASIS ADJUSTMENTS.-Section 1016(a) IS
12. amended by striking- "and" at the end of paragraph (36),
13. by striking the period at the end of paragraph (37) and
14. inserting '', and'', and by inserting after paragraph (:37)
15. the following:
16. "(:38) to the extent provided m subsections

17 (b)(2) and (e) of section 1400Z-2.".

1. (c) CLERICAL filIEND)IENT.-The table of sub-
2. ehapters for ehapter 1 is amended by adding at the end
3. the following new item:

"SUBCIIAPTER Z. OPPORTUNITY ZONES".

1. (d) EFFECTIVE DATE.-The amendments made by
2. this seetion shall take effeet on the date of the enaetment
3. of this Act.

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# Subtitle D-International Tax

* 1. **Provisions**
  2. **PART I-OUTBOUND TRANSACTIONS**
  3. **Subpart A-Establishment of Participation**
  4. **Exemption System for Taxation of Foreign Income**
  5. **SEC. 14101. DEDUCTION FOR FOREIGN-SOURCE PORTION**
  6. **OF DMDENDS RECEIVED BY DOMESTIC COR-**
  7. **PORATIONS FROM SPECIFIED IO-PERCENT**
  8. **OWNED FOREIGN CORPORATIONS.**
  9. (a) IN GENERAL.-Part VIII of subchaptcr B of
  10. chapter 1 is amended by inserting after section 245 the
  11. following new section:
  12. **"SEC. 245A DEDUCTION FOR FOREIGN SOURCE-PORTION**
  13. **OF DMDENDS RECEIVED BY DOMESTIC COR-**
  14. **PORATIONS FROM SPECIFIED IO-PERCENT**
  15. **OWNED FOREIGN CORPORATIONS.**
  16. "(a) IN GENERAL.-In the case of any cfo;dend re-
  17. ceived from a specifiPd 10-per( ent owned foreign corpora-
  18. tion by a domestic corporation which is a United States
  19. shareholder with respect to such foreign corporation, there
  20. shall be allowed as a deduction an amount equal to the
  21. foreign-source portion of such dividend.
  22. "(b) SPECIFIED IO-PERCENT OWXED FOREIGX COR-
  23. PORATION.-:B..,or purposes of this section-

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* + 1. "(1) IN GENERAL.-The term 'specified 10-per-
    2. cent owned foreign corporation' means any foreig·n
    3. corporation with respect to which any domestic cor-
    4. poration is a lTnited States shareholder with respect
    5. to such corporation.
    6. "(2) EXCLUSION OF PASSI\"'E FOREIGN INVEST-
    7. lVIENT COMPANIES.-Such term shall not include any
    8. corporation which is a passive foreign investment
    9. company (as defined in section 1297) ,vith respect to
    10. the shareholder and ,vhich is not a controlled foreign
    11. corporation.
    12. "(c) FOREIGN-SOrRCE PORTIOX.-For purposes of
    13. this section-
    14. " (1) Ix GEXEHAL.-The foreign-source portion
    15. of any dividend from a specified 10-percent owned
    16. foreign corporation is an amount which hears the
    17. same ratio to such dividend as-
    18. **"(A)** the undistributed foreign earnings of
    19. the specified 10-percent owned foreign corpora-
    20. tion, bears to
    21. **"(B)** the total undistributed earnmgs of
    22. such foreign corporation.
    23. "(2) UNDISTRIBUTED EARNIXGS.-The term
    24. 'undistributed earnings' means the amount of the
    25. earnings and profits of the specified IO-percent

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1. owned foreign corporation (computed in accordance
2. with sections 964(a) and 986)-
3. **"(A)** as of the close of the taxable year of
4. the specified 10-percent owned foreign corpora-
5. tion in which the diYidend is distributed, and
6. "(B) without diminution hy reason of divi-
7. <lends distributed during such taxable year.
8. "(3) UNDISTRIBUTED FOREIGN EARNI GS.-
9. The term 'undistributed foreign earnings' means the
10. portion of the undistributed earnings which is attrib-
11. utahle to neither-
12. "(A) income described in subparag-raph (A)
13. of section 245(a)(5), nor
14. '' (B) dividends described m subparagraph
15. (B) of such section (determined without regard 16 to section 245(a)(12) ).
16. "(<l) DISALLOWANCE OF FOREIGX TAX CREDIT,
17. ETC.-
18. "(1) IN GENERAL.-No credit shall be allowed
19. under section 901 for any taxes paid or accrued (or
20. treated as paid or accrued) with respect to any dis-
21. tribution any portion of which constitutes a <liYi<len<l
22. for which a deduction is allowed under this section.
23. "(2) DENIAL OF DEDUCTION.-No deduction
24. shall be allowed under this chapter for any tax for

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1. which credit is not allowahle under section 901 hy
2. reason of parag-raph (1) (determined by treating· the
3. taxpayer as having elected the benefits of subpart A
4. of part III of subehapter N).
5. "(e) SPECIAL RULES FOR HYBRID DIVIDE DS.-
6. "(1) IN GEXERAL.-Suhsection (a) shall not
7. apply to any dividend received by a United States
8. shareholder from a controlled foreign corporation if
9. the dividend is a hybrid dividend.
10. "(2) HYBRID DIVIDENDS OF TIERED CORPORA-
11. TIONS.-If a controlled foreign corporation with re-
12. spect to which a domestie corporation is a United
13. States shareholder receives a hybrid dividend from
14. any other eontrolled foreign eorporation with respect
15. to which such domestic corporation is also a United
16. States shareholder, then, notwithstanding any other
17. provision of this title-
18. "(A) the hybrid dividend shall be treated
19. for purposes of section 95l(a)(l)(A) as subpart
20. F income of the receiYing controlled foreign cor-
21. poration for the taxahle year of the controlled
22. foreign corporation in which the dividend was
23. received, and
24. "(B) the United States shareholder shall
25. include in gross income an amount equal to the

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shareholder's pro rata share (determined in the same manner as under section 951 (a) (2)) of the subpart -, income described in subparagraph (A).

"( 3) **DENIAL** OF FOREIGN TAX CREDIT, ETC.­

The rules of suhsection (d) shall apply to any hyhrid diYidend received by, or any amount ineluded under paragraph (2) in the gross income of, a United States shareholder.

" (4) HYBRID DIYIDEND.-The term 'hybrid diYidend' means an amount received from a con­ trolled foreig·n corporation-

" (A) for which a deduction would be al­ lowed under subsection (a) but for this sub­ section, and

'' (B) for which the controlled foreign cor­ poration receiw d a deduction (or other tax ben­ efit) from taxes imposed by any foreign coun­ try.

"(f) SPECIAL RFLE :B.,OR PVRGING DISTRIBCTIONS PASSIVE FOREIGN INVESTMENT COMPANIES.-Any

1. amount which is treated as a dividend under section
2. 1291(d)(2)(B) shall not be treated as a dhi.dend for pur-
3. poses of this section.

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* 1. "(g) REGULATIONS.-The SPcretary shall prescribe
  2. sneh regulations or other g11idanee as may be necessary
  3. or appropriate to carry out the provisions of this section,
  4. induding regulations for the treatment of United States
  5. shareholders owning stock of a specified 10 percent owned
  6. foreign corporation through a partnership.".
  7. (L) APPLICATION OF HOLDIXG PERIOD REQUIRE-
  8. MENT.-Subsection (c) of section 246 is amended-
  9. (1) by striking "or 245" in paragraph (1) and
  10. inserting "245' or 245A"' and
  11. (2) hy adding at the end the following new
  12. parag-raph:
  13. " (5) SPECIAL RCLES FOR FOREIGN SOURCE
  14. POWrION 01 11 DIYIDENDS RECEIVED l11 IWM SPECH1 IED
  15. IO-PERCENT OWNED B-,OREIGN CORPORATIONS.­
  16. "(A) 1-YEAR HOLDING PERIOD REQUIRE­
  17. MENT.- -,or purposes of section 245A-
  18. "(i) paragraph (1)(A) shall he ap­
  19. plied-
  20. "(I) by substituting '365 days'
  21. for '45 days' each place it appears,
  22. and
  23. "(II) by substituting '731-day pe­
  24. riod' for '91-day period', and
  25. "(ii) paragraph (2) shall not apply.

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* + 1. **"(B)** STATUS MUST BE :MAINTAINED DUR-
    2. ING HOLDIXG PERIOD.-For purposes of apply-
    3. ing paragraph (**1)** with respect to section 245A,
    4. the taxpayer shall be treated as holding the
    5. stock referred to in paragraph (1) for any pe-
    6. riod only if-
    7. "(i) the speeified 10-pereent owned
    8. foreign corporation referred to in section
    9. 245A(a) is a speeified 10-pereent owned
    10. foreign corporation at all times during
    11. such period, and
    12. "(ii) the taxpayer 1s a United States
    13. shareholder with respect to such specified
    14. 10-pereent owned foreig·n eorporation at all
    15. times during such period.".
    16. (c) APPLICATION OF RULES GENERALLY APPLICA-
    17. BLE TO DEDrCTIONS FOR DIYIDEXDS REC JIVED.-
    18. (1) TREATMENT OF DIYIDENDS FROM CERTAIN
    19. COitPOHATIOXS.-Paragraph (1) of scetion 24o(a) is
    20. amended by striking "and 245" and inserting "245, 21 and 245A".

1. (2) ASSETS GENERATING TAX-EXEMPT PORTION
2. OF DMDEND XOT TAKEN INTO ACCO"CNT IX ALLO-
3. GATING A..i\JD APPORTIONING DEDFCTIBLE EX-
4. PENSES.-Paragraph ( ) of section 864(e) is amend-

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1 ed hy striking "or 245(a)" and inserting ", 245(a), 2 or 245A".

1. **(3) COORDINATION WITH SECTION 1059.-Sub-**
2. paragraph (B) of sed,ion 1059(b)(2) is amended by
3. striking "or 245" and inserting "245, or 245A".
4. **(d) COORDINATION WITH -,OREIGN TAX CREDIT**
5. LIMITATIOX .-Subsection (b) of section 904 is amended
6. by adding at the end the follmving new paragraph:
7. " (**5) 'I'IU<jATl\lEXT** OP **DIYIDE DS POH WIIICII**
8. DEDPCTION IS ALLOWED UNDER SECTIOX 2-15A.-
9. For purposes of suhscction (a), in the case of a do-
10. mestic corporation vlhich is a United States share-
11. holder with respect to a specified 10-percent owned
12. foreign corporation, such domestic corporation's tax-
13. able income from sources without the United States
14. shall he determined without regard to-
15. "(A) the foreign-source portion of any diYi-
16. dend received from such foreign corporation,
17. and
18. '' (B) any deductions properly allocable to
19. such portion.
20. Any term which is used in section 245A and in this
21. paragraph shall have the same meaning for purposes
22. of this paragraph as when used in such section.".
23. (e) CONFOR\1IXG AMENDl\1:ENTS.-

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* 1. (1) Suhsection (h) of section 951 is amended hy
  2. striking- "subpart" an<l inserting "title".
  3. (2) Subsection (a) of section 957 is amended by
  4. striking "subpart" in the matter preceding para-
  5. graph (**1)** and inserting "title".
  6. (3) The table of sections for part VIII of suh-
  7. chapter B of chapter **1** is amPn<le<l by inserting; after
  8. the item relating to section 245 the following *ne" 1*
  9. item:

"Sec. 245A. Dividends received by domestic corporations from certain foreign corporations.''.

* 1. (f) EFFECTIVE DATE.-The amendments made hy
  2. this section shall apply to taxable years of foreign corpora-
  3. tions beginning after December 31, 2017, and to taxable
  4. years of United States shareholders in which or with which
  5. such taxable years of foreign corporations end.
  6. **SEC. 14102. SPECIAL RULES RELATING TO SALES OR**
  7. **TRANSFERS INVOLVING SPECIFIED IO-PER­**
  8. **CENT OWNED FOREIGN CORPORATIONS.**
  9. (a) SALES BY UNITED STATES PERSONS OF
  10. STOCK.-Section 1248 is amended by redesignating sub-
  11. section (j) as suhsection (k) and hy inserting after suh-
  12. section (i) the following- new subsn tion:
  13. "(j) COORDINATIOX WITH DIVIDEXDS RECEIVED
  14. DEDVCTIO .-In the case of the sale or exchange by a
  15. domestic corporation of stock in a foreign corporation held

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1. for 1 year or more, any amount received by the domestic
2. corporation which is treated as a dividend by reason of
3. this section shall be treated as a dividend for purposes
4. of applying section 245A.".
5. (b) BASIS IN SPECIFIED IO-PERCENT OWNED FOR-
6. EIGN CORPORATION REDUCED BY NONTAXED PORTION
7. OF DIVIDEND FOR PPRPOSES OF DETERMIXIXG Loss.-
8. (1) IN GENERAL.-Section 961 is amended by
9. adding at the end the following new subsection:
10. "(d) BASIS IN SPECIFIED 10-PERCENT OWNED FOR-
11. EIGN CORPORATION REDUCED BY NONTAXED PORTION
12. OF DIVIDEND FOR PPRPOSES OF DETERMIXIXG Loss.-
13. If a domestic corporation receives a dividend from a speci-
14. fied 10-percent owned foreign corporation (as defined in
15. section 245A) in any taxable year, solely for purposes of
16. determining loss on any disposition of stock of such for-
17. eign corporation in such taxable year or any subsequent
18. taxable year, the basis of such domestic corporation in
19. such stock shall be reduced (but not below zero) by the
20. amount of any deduction allowable to such domestic cor-
21. poration under section 245A with respect to such stock.".
22. (2) EFFECTIVE DATE.-The amendments made
23. by this subsection shall apply to dividends received
24. in taxable years beginning after December 31, 2017.

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1. (c) SALE BY A CFC OF A LOWER TIER CFC.-Scc-
2. tion 964(e) is amen<le<l by a<l<ling· at the en<l the following·
3. new paragraph:
4. "( 4) COOI{DINATION WITII DIVIDENDS HE-
5. CEIYED DEDUCTION.-
6. "(A) IN GENERAL.-If, for any taxable
7. year of a eontrolle<l foreign corporation beg·in­
8. ning after December 31, 2017, any amount is
9. treated as a diYidend under paragraph (1) by
10. reason of a sale or exchange by the controlled
11. foreign corporation of stock in another foreign
12. corporation hel<l for 1 year or more, then, not­
13. withstanding any other provision of this title-
14. "(i) the foreign-source portion of such
15. dividend shall be treated for purposes of
16. section 95l(a)(l)(A) as subpart F income
17. of the selling controlled foreign corporation
18. for such taxable year,
19. "(ii) a United States shareholder with
20. respect to the selling controlled foreign cor­
21. poration shall include in gross income for
22. the taxable year of the shareholder with or
23. within which such taxable year of the con­
24. trolled foreig·n corporation ends an amount
25. equal to the shareholder's pro rata share

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1. (determined in the same manner as under
2. section 951(a)(2)) of the amount treated
3. as subpart F, income under clause (i), and
4. " (iii) the deduetion under seetion
5. 245A(a) shall be allowable to the United
6. States shareholder with respect to the sub­
7. part F income included in g-ross im ome
8. under clause (ii) in the same manner as if
9. such subpart F income were a dividend re­
10. ceived by the shareholder from the selling
11. controlled foreign corporation.
12. "(B) EFFECT OF LOSS ON EARNINGS AND
13. PROFITS.-For purposes of this title, in the
14. ease of a sale or exchange by a controlled for­
15. eign corporation of stock in another foreign cor­
16. poration in a taxable year of the selling con­
17. trolled foreign corporation beg·inning after De­
18. cember 31, 2017, to which this paragraph
19. would apply if gain were recognized, the earn­
20. ings and profits of the selling controlled foreign
21. corporation shall not he reduced hy reason of
22. any loss from such sale or exchange.
23. "(C) FOREIGN-SOPRCE PORTION.-For
24. purposes of this paragraph, the foreign-source
25. portion of any amount treated as a dividend

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1. under paragraph (1) shall he determined in tlw
2. same manner as under section 245A(e).".
3. (d) TREATMEXT OF FOREIGN BRANCH LOSSES
4. T1 I '\JS, F EHHED TO S PE CU1 IE D 10-PEHCENT OWNED FOH-
5. EIGN CORPORATIONS.-
6. (1) IN GEXERAL.-Part II of suhchaptcr B of
7. chapter 1 is amended by adding at the end the fol-
8. lowing new section:
9. **"SEC. 91. CERTAIN FOREIGN BRANCH LOSSES TRANS-**
10. **FERRED TO SPECIFIED IO-PERCENT OWNED**
11. **FOREIGN CORPORATIONS.**
12. "(a) Ix GENERAL.-If a domestic corporation trans-
13. fers substantially all of the assets of a foreign branch
14. (within the meaning of seetion :367(a)(3)(C), as in effcet
15. before the date of the enactment of the Tax Cuts and Jobs
16. Act) to a specified IO-percent owned foreign corporation
17. (as defined in section 245A) with respect to which it is
18. a United States shareholder after such transfer, such do-
19. mestie eorporation shall inelude in gross ineome for the
20. taxable year which includes such transfer an amount equal
21. to the transferred loss amount "\\rith respect to such trans-
22. fer.
23. "(b) LIMITATION A.."'D CARRYFORWARD BASED ON
24. FOREIGN-SOeRCE DI\'IDENDS RECEIVED.-

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* 1. "(l) IN GENERAL.-The amount included in
  2. the gross income of the taxpayer under subsection
  3. (a) for any taxable year shall not exceed the amount
  4. allowed as a deduction under section 245A for sm h
  5. taxable year (taking into account dividends receiYed
  6. from all specified 10-percent owned foreign corpora-
  7. tions with respect to which the taxpayer is a Unite<l
  8. States shareholder).
  9. "(2) A.,.1\1OU 'l'S NOT INCI UDED CAIUUED I•"'OH-
  10. WARD.-Any amount not included in gToss income
  11. for any taxable year by reason of paragraph (1)
  12. shall, subjet t to the application of paragraph (1) to
  13. the succeeding taxable year, be included in gross in-
  14. come for the succeeding taxable year.
  15. "(c) TRAXSFERRED Loss k\IOCNT.-For purposes
  16. of this section, the term 'transferred loss amount' means,
  17. with respect to any transfer of substantially all of the as-
  18. sets of a foreign branch, the excess (if any) of-
  19. "(l) the sum of losses-
  20. "(A) which were incurred by the foreign
  21. branch after December 81, 20I 7, and before
  22. the transfor, and
  23. '' (B) "rith respect to which a deduction was
  24. allowed to the taxpayer, over
  25. "(2) the sum of-

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1 " (A)

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1. for a taxable year after the taxable year in
2. which the loss was incurred and through the
3. elose of the taxable year of the transfer, and
4. "(B) any amount which is recognized
5. under section 904 (f)(3) on account of the trans-
6. fer.
7. **"(d) REDUCTION FOR RECOGNIZED GAINS.-The**
8. transferred loss amount shall be redueed (but not below
9. zero) by the amount of gain recognized by the taxpayer
10. on account of the transfer (other than amounts taken into
11. account under subseetion (e)(2)(B)).
12. "(e) SOURCE OF INCOME.-Amounts included in
13. gross ineome under this seetion shall be treated as derived
14. from sources within the United States.
15. " (f) BASIS ADJUSTMENTS.-Consistent with such
16. regulations or other guidanee as the Secretary shall pre-
17. scribe, proper adjustments shall be made in the adjusted
18. basis of the taxpayer's stoek in the speeified 10-pereent
19. owned foreign corporation to which the transfer is made,
20. and in the transferee's adjusted hasis in the property
21. transferred, to reflect amounts included in gross irwome
22. under this section.".
23. (2) CLERICAI.. AMENDMENT.-The table of sec-
24. tions for part II of subchapter B of chapter 1 is

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1. amended hy adding at the end the following new
2. item:

"Sec. 91. Certain foreign branch losses transferred to specified IO-percent owne<l foreign corporations.".

1. (3) EFFECTIYE DATE.-The amendments made
2. by this subsection shall apply to transfers after De-
3. cernher :n, 2017.
4. (e) REPEAL OF ACTIVE TRADE OR BFSINESS EXCEP-
5. TION UNDER SECTIOX 367.-
6. (1) Ix GENERAL.-Section 367(a) is amended
7. by striking paragraph (3) and redesignating para-
8. graphs (4), (5), and (6) as paragraphs (3), (4), and
9. (5), respectively
10. (2) CONFORMIXG A..'1END ENTS.-Section
11. 367(a)(4), as redesignated by paragraph (1), is
12. amended-
13. (A) hy striking "Paragraphs (2) and (3)"
14. and inserting "Paragraph (2)", and
15. (B) by striking "PARAGRAPHS (2) AXD (3)"
16. in the heading and inserting "PARAGRAPH (2)".
17. (3) EFFECTIVE DATE.-The amendments made
18. hy this subsection shall apply to transfers after Dc-

21 cemLer 31, 2017.

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* 1. **SEC. 14103. TREATMENT OF DEFERRED FOREIGN INCOME**
  2. **UPON TRANSITION TO PARTICIPATION EX-**
  3. **EMPTION SYSTEM OF TAXATION.**
  4. (a) IN GENERAL.-Section 965 is amended to read
  5. as follows:
  6. **"SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME**
  7. **UPON TRANSITION TO PARTICIPATION EX-**
  8. **EMPTION SYSTEM OF TAXATION.**
  9. "(a) TREATMEXT OF DEFERRED FOREIGN INCOME
  10. AR SUBPART F INCOME.-In the case of the last taxable
  11. year of a deferred income corporation which begins before

12 January 1, 2018, the subpart F income of such foreign

1. corporation (as otherwise determined for sueh taxable year
2. under section 952) shall be increased by the greater of-
3. "(1) the accumulated post-1986 deferred for-
4. eign income of such corporation determined as of

17 November 9, 2017, or

1. "(2) the aeeumulated post-1986 deferred for-
2. eign income of such corporation determined as of 20 December :31, 2017.
3. "(b) REDUCTIOX IN AMOUNTS INCLlTDED IN GROSS
4. INCOME OF UNITED STATES SHAREHOLDERS OF SPECI-
5. FIED FOREIGN CORPORATIONS WITH DEFICITS IX EARN-
6. INGS AND PROFITS.-
7. "(1) IN GEXERAL.-In the case of a taxpayer
8. which is a United States shareholder with respect to

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1. at least one deferred foreign income corporation and
2. at least one E&P defieit foreign eorporation, the
3. amount which would (but for this subsection) be
4. taken into aeeount under seetion 951(a)(l) by rea-
5. son of subsection (a) as such United States share-
6. holder's pro rata share of the subpart F income of
7. eaeh deferred foreign ineome corporation shall be re-
8. duced by the amount of such United States share-
9. holder's aggregate foreign **E&P** defieit which is allo-
10. cated under paragraph (2) to such deferred foreign
11. income corporation.
12. **"(2) ALLOCATION OF AGGREGATE FOREIGN E&P**
13. DE "'ICIT.-The aggregate foreign E&P deficit of any
14. United States shareholder shall be alloeated among
15. the deferred foreign income corporations of such
16. United States shareholder in an amount which hears
17. the same proportion to such aggregate as-
18. "(A) such United States shareholder's pro
19. rata share of the accumulated post-1986 de-
20. ferred foreign income of each such deferred for-
21. eign income corporation, hears to
22. "(B) the agg-regate of sueh United States
23. shareholder's pro rata share of the accumulated
24. post-1986 deferred foreign income of all de-

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1. forred foreign income corporations of such
2. United States shareholder.
3. "(3) DEFINITIOXS RELATED TO E&P DEFI-
4. crrs.-For purposes of this subseetion-
5. "(A) AGGREGATE FOREIGN E&P DEF-
6. ICIT.-
7. "(i) IN GENERAL.-The term 'aggre-
8. gate foreign E&P deficit' means, with re-
9. speet to any United States shareholder, the
10. lesser of-
11. "(I) the aggregate of such share-
12. holder's pro rata shares of the speei-
13. fied E&P deficits of the E&P deficit
14. foreign eorporations of sueh share-
15. holder, or
16. "(II) the amount determined
17. under paragraph (2)(B).
18. "(ii) ALLOCATIOX OF DEFICIT.-If
19. the amount deseribed in elause (i)(II) is
20. less than the amount described in clause
21. (i)(I), then the shareholder shall designate,
22. in sueh form and manner as the Secretary
23. determines-
24. '' (I) the amount of the speeified
25. E&P deficit which is to be taken into

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1. account for each E&P deficit corpora-
2. tion with respect to the taxpayer, and
3. "(II) in the case of an E&P def­
4. icit corporation which has a qualified
5. deficit (as defined in section 952), the
6. portion (if any) of the deficit taken
7. into account under subelause (I)
8. which is attributable to a qualified
9. deficit, including the qualified activi­
10. ties to which such portion is attrib­
11. utable.
12. **"(B) E&P DEFICIT FOREIGN CORPORA­**
13. TIOX.-The term 'E&P deficit foreign corpora­
14. tion' means, with respect to any taxpayer, any
15. specified foreign corporation with respect to
16. which such taxpayer is a United States share­
17. holder, if-
18. "(i) such specified foreign corporation
19. has a deficit in post-1986 earnings and
20. profits, and
21. "(ii) as of Kovemher 9, 2017-
22. "(I) such corporation was a spec­
23. ified foreign corporation, and

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* 1. '' (II) such taxpayPr was a United
  2. States shareholder of such corpora-
  3. tion.
  4. "(C) SPECU1 IED E&P DEI•,ICIT.-The term
  5. 'specified E&P deficit' means, with respect to
  6. any E&P deficit foreign corporation, the
  7. amount of the deficit referred to in snbpara-
  8. graph (B).
  9. "( 4) T1I{EA'r MEN rr OP EARNINGS AND PHOI•1 r r s
  10. **IN** FUTURE YEARS.-
  11. **"(A)** RED"CCED EARNINGS A.."\'"D PRO ,ITS
  12. TREATED AS PREVIOUSLY TAXED INCOME
  13. "\\-rnEN DISTRIBrTED.- -,or purposes of apply-
  14. iug section 959 in any taxable year beginning
  15. after December 81, 2017, with respect to any
  16. Uuited States shareholder of a deferred foreign
  17. irwome corporation, an amount equal to such
  18. shareholder's reduction under paragraph (1)
  19. whi( h is allocated to such deferred foreign in-
  20. come corporation under this subsection shall be
  21. treated as an amount which was included in the
  22. gross income of such United States shareholder
  23. under section 95l(a).
  24. "(B) E&P DEFICITS.-For purposes of this
  25. title, a United States shareholder's pro rata

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1. share of the earnings and profits of any speci-
2. fied E&P deficit foreign corporation under this
3. subsection shall be increased by the amount of
4. the specified E&P deficit of such corporation
5. taken into account by such shareholder under
6. paragraph **(1),** and, for purposes of section 952,
7. such increase shall be attributable to the same
8. activity to which the deficit so taken into ac-
9. count was attributable.
10. "(c) APPLICATION OF PARTICIPATION EXEMPTION
11. TO lXCLUDED lXCOME.-
12. "(l) Ix GENERAL.-In the case of a United
13. States shareholder of a deferred foreign income cor-
14. poration, there shall be allowed as a deduction for
15. the taxable year in which an amount is included in
16. the gross income of such United States shareholder
17. under section 951 (a)(1) by reason of this section an
18. amount equal to the sum of-
19. "(A) 78.6 percent of the excess (if any)
20. of-
21. '' (i) the amount so included as gross
22. mcome, over
23. '' (ii) the amount of such United
24. States shareholder's aggregate foreign cash
25. position, plus

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1. "(B) 58.6 percent of so much of the
2. amount described in subparagraph (A)(ii) as
3. does not exceed the amount described in sub-
4. paragraph (A)(i).
5. "(2) AGGREGATE FOREIGN CASH POSITION.-
6. For purposes of this subscction-
7. **"(A)** IN GENERAL.-The term 'aggTegate
8. foreign cash position' means, with respect to
9. any United States shareholder, the greater of- 1O "(i) the aggTegate of such United
10. States shareholder's pro rata share of the
11. cash position of each specified foreig·n cor-
12. poration of such United States shareholder
13. determined as of the close of the last tax-
14. able year of such specified foreign corpora-
15. tion which begins before January 1, 2018,
16. or

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"(ii) one half of the sum of-

" (I) the aggregate described m clause (i) determined as of the close of the last taxable year of each such specified foreign corporation which ends before November 9, 2017, plus

"(II) the ag·gTeg-ate described in clause (i) determined as of the close of

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* 1. the taxable year of each such specified
  2. foreign corporation which precedes the
  3. taxable year referred to in subclause

4 (I).

1. "(B) CASH POSITION.-For purposes of
2. this paragraph, the cash position of any speci­
3. fied foreign corporation is the sum of-
4. " (i) cash and foreign currency held by
5. such foreign corporation,
6. "(ii) the net accounts receivable of
7. such foreign corporation, plus
8. "(iii) the fair market value of the fol­
9. lowing assets held by such corporation:
10. "(I) Personal property which 1s
11. of a type that is actively traded and
12. for which there is an established fi­
13. nancial market (other than stock m
14. the specified foreign corporation).
15. "(II) Commercial paper, certifi­
16. cates of deposit, the securities of the
17. Federal government and of any State
18. or foreign government.
19. "(III) Any obligation with a term
20. of less than one year.

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* 1. "(IV) Any asset which the Sec-
  2. retary identifies as being economically
  3. equivalent to any asset described in
  4. this subparagraph.
  5. "(C) NET ACCOU:\l'TS RECEffABLE.-For
  6. purposes of this paragraph, the term 'net ac­
  7. counts receivable' means, with respect to any
  8. specified foreign corporation, the excess (if any)
  9. of-
  10. "(i) such corporation's accounts re­
  11. ceivahle, over
  12. "(ii) snch corporation's accounts pay­
  13. able (determined consistent with the rules
  14. of section 461).
  15. **"(D)** PREVEXTIO OF DOUBLE corNT­
  16. ING.-Cash positions of a specified foreign cor­
  17. poration described in clause (ii) or (iii)(III) of
  18. subparagraph (B) shall not be taken into ac­
  19. count by a United States shareholder under
  20. subparagraph (A) to the extent that such
  21. United States shareholder demonstrates to the
  22. satisfaction of the Secretary that such amount
  23. is so taken into account by such United States
  24. shareholder with respect to another specified
  25. foreign corporation.

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* + 1. **"(E) CASH POSITIONS OF1 CERTAIN NON-**
    2. **CORPORATE ENTITIES TAKEN INTO ACCOPXT.­**
    3. An entity shall be treated as a specified foreign
    4. corporation of a United States shareholder for
    5. purposes of determining such United States
    6. shareholder's aggregate foreign cash position
    7. if-
    8. " (i) such entity is a foreign entity
    9. which would be a specified foreign corpora­
    10. tion of such United States shareholder if
    11. such entity were a corporation, or
    12. "(ii) any interest in such entity is held
    13. by a specified foreign corporation of such
    14. United States shareholder (determined
    15. after application of clause (i)) and such en­
    16. tity would he a specified foreign corpora­
    17. tion of such United States shareholder if
    18. such entity were a foreign corporation.
    19. "CB.,) A."\'rI-ABUSE.-lf the Secretary deter­
    20. mines that a principal purpose of any trans­
    21. action was to reduce the aggregate foreign cash
    22. position taken into account under this sub­
    23. section, such transaction shall be disregarded
    24. for purposes of this subsection.

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* + - 1. **"(cl) DEFERRED -,OREIGN INCOME CORPORATION;**
      2. **ACCUMPLATED POST-1986 DEFERRED FOREIGX lN-**
      3. COME.-For purposes of this section-
      4. **"(l) DEFERRED FOREIGN INCOME COHPOHA-**
      5. TION.-The term 'deferred foreign income corpora-
      6. tion' means, \\rith respect to any United States
      7. shareholder, any specified foreig·n corporation of
      8. such United States shareholder which has accumu-
      9. lated post-1986 deferred foreign income (as of the
      10. close of the taxable year referred to in subsection
      11. (a)) greater than zero.
      12. **"(2) ACCFMULATED POST-1986 DEFERRED FOR-**
      13. EIGX IXCO}IE.-The term 'accumulated post-1986
      14. deferred foreign income' means the post-1986 earn-
      15. ings and profits except to the extent such earnings-
      16. "(A) arc attrihutahle to income of the
      17. specified foreign corporation which is effectively
      18. connected with the conduct of a trade or busi-
      19. ness within the UnitPd States and subjed to
      20. tax under this chapter, or
      21. " ( B) in the case of a controlled foreign
      22. corporation, if distributed, would be excluded
      23. from the gross income of a United States share-
      24. holder under section 959.

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* + - * 1. To the extent provided in regulations or other guid-
        2. ance prescribed by the Secretary, in the case of any
        3. controlled foreign corporation which has share-
        4. holders which arc not lJnitcd States shareholders,
        5. accumulated post-1986 deferred foreign income shall
        6. he appropriately reduced hy amounts which would he
        7. described in subparagTaph (B) if such shareholders
        8. were United States shareholders.
        9. "(3) Posrr-1986 EARXIXGS AND PIWPirrs.-Thc
        10. term 'post-1986 earnings and profits' means the
        11. earnings and profits of the foreign corporation (com-
        12. pute<l in accordance with sections 964(a) and 986,
        13. and by only taking into account periods when the
        14. foreign corporation was a specified foreign corpora-
        15. tion) accumulated in taxable years beginning after

16 December :31, 1986, and dctcrmincd-

1. "(A) as of the <late of the taxable year re-
2. ferred to in paragraph (1) or (2) of subsection
3. (a), whichever is applicable with respeet to such
4. foreign corporation, and
5. "(B) ,vithout diminution hy reason of divi-
6. <lends distributed during the taxable year end-
7. ing with or including such date.
8. "(e) SPECIFIED FOREIGN CORPORATION.-

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* 1. "(l) IN GENERAL.- --,or purposes of this sec-
  2. tion, the term 'spel ified foreign corporation'
  3. means-

4

1. and

'' (A) any controlled foreign corporation,

1. '' (**B)** any section 902 corporation (as de-
2. fined in section 909(<1)(5) as in effect Lefore the
3. date of the enactment of the Tax Cuts and Jobs
4. Act).
5. "(2) APPLICATION TO SECTION 902 CORPORA-
6. TIONS.-For purposes of sections 951 and 961, a
7. section 902 corporation (as so defined) shall be
8. treated as a controlled foreign corporation solely for
9. purposes of taking into account the subpart .., in-
10. come of such corporation under subsection (a) (and
11. for purposes of applying subsection (e)).
12. "(3) EXCLUSION OF PASSI\"'E FOREIGN INVEST-
13. ME:\"T COMPANIES.-Such term shall not include any
14. corporation whieh is a passive foreign investment
15. company (as defined in section 1297) with respect to
16. the shareholder and which is not a controlled foreign
17. corporation.
18. "(f) DETERMIXATIONS OF PRO RATA SHARE.-For
19. purposes of this section, the determination of any United
20. States shareholder's pro rata share of any amount ,vith

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1. respect to any specified foreign corporation shall he deter-
2. mined under rules similar to the rules of section 951(a)(2)
3. by treating such amount in the same manner as subpart
4. F, income (and by treating such specified foreign corpora-
5. tion as a controlled foreign corporation).
6. "(g) DISALLOW.Ai CE O"B, FOREIGX TAX CREDIT,
7. ETC.-
8. "(1) IN GENERAL.-No credit shall be allowed
9. under section 901 for the applicable percentage of
10. any taxes paid or accrued (or treated as paid or ac-
11. crued) with respect to any amount for which a de-
12. dnction is allowed under this section.
13. "(2) APPLICABLE PERCENT.AGE.-For purposes
14. of this subsection, the term 'applicable percentage'
15. means the amount (expressed as a percentage) equal
16. to the sum of-
17. "(A) 0.786 multiplied by the ratio of-
18. "(i) the excess to which subsection
19. (e) (1)(A) applies, diYided by
20. " (ii) the sum of such excess plus the
21. amount to which subsection (c)(l)(B) ap-
22. plies, plus
23. "(B) 0.586 multiplied by the ratio of-
24. "(i) the amount to which subsection
25. (c) (1)(B) applies, divided by

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* 1. "(ii) the sum descrihed m suhpara-
  2. graph (A)(ii).
  3. "(3) DENIAL OF DEDPCTION.-No deduction
  4. shall be allowed under this chapter for any tax for
  5. which credit is not allowable under section 901 by
  6. reason of paragraph (1) (determined hy treating the
  7. taxpayer as having· elected the benefits of subpart A
  8. of part III of subchapter N).
  9. "( 4) COOHDINA'rIO WITII SECTION 78.-Sec-
  10. tion 78 shall not apply to any tax for which credit
  11. is not allowahle under section 901 hy reason of para-
  12. g-raph (1).
  13. "(h) ELECTIO TO PAY LIABILITY I INSTALL-
  14. MEWrS.-
  15. "(1) Ix GENERAL.-In the case of a United
  16. States shareholder of a deferred foreign income cor-
  17. poration, such United States shareholder may elect
  18. to pay the net tax liability under this section in 8
  19. installments of the following amounts:
  20. "(A) 8 percent of the net tax liability in
  21. the case of each of the first 5 of such install-
  22. ments,
  23. "(B) 15 percent of the net tax liability in
  24. the case of the 6th such installment,

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* + 1. "(C) 20 percent of the net tax liahility in
    2. the case of the 7th such installment, and
    3. '' (D) 25 percent of the net tax liability in
    4. the case of the 8th such installment.
    5. "(2) DATE FOR PAYME T OF INSTALLMENTS.-
    6. If an election is made under paragraph (1), the first
    7. installment shall be paid on the due date (deter-
    8. mined without regard to any extension of time for
    9. filing the return) for the return of tax for the tax-
    10. able year described in subsection (a) and each suc-
    11. ceeding installment shall he paid on the due date (as
    12. so determined) for the return of tax for the taxable
    13. year following the taxable year with respect to which
    14. the preceding installment was made.
    15. "(3) ACCELERATIOX OF PAY IENT.-If there is
    16. an addition to tax for failure to timely pay any in-
    17. stallment required under this subsection, a liquida-
    18. tion or sale of substantially all the assets of the tax-
    19. payer (induding in a title 11 or similar case), a ces-
    20. sation of business by the taxpayer, or any similar
    21. circumstance, then the unpaid portion of all rcmain-
    22. ing installments shall be due on the date of such
    23. event (or in the case of a title 11 or similar case,
    24. the day before the petition is filed). The preceding
    25. sentence shall not apply to the sale of substantially

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1. all the assets of a taxpayer to a huyer if such huyer
2. enters into an agreement with the Secretary under
3. which such buyer is liable for the remaining install-
4. ments due under this subsection in the same manner
5. as if such buyer were the taxpayer.
6. "(4) **PRORATION** OF DEFICIENCY TO IXSTALL-
7. MENTS.-If an election is made under paragTaph (1)
8. to pay the net tax liability under this section in in-
9. stallments and a deficiency has been assessed ,vith
10. respect to such net tax liability, the deficiency shall
11. he prorated to the installments payable under para-
12. graph (1). The part of the deficiency so prorated to
13. any installment the date for payment of which has
14. not arrived shall be collected at the same time as,
15. and as a part of, such installment. The part of the
16. deficiency so prorated to any installment the date
17. for payment of which has arrived shall be paid upon
18. notice and demand from the Secretary. This sub-
19. section shall not apply if the deficiency is due to
20. negligence, to intentional disregard of rules and reg-
21. ulations, or to fraud with intent to evade tax.
22. "(5) ELECTION.-Any election under paragraph
23. (1) shall be made not later than the due date for the
24. return of tax for the taxable year described in sub-

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1. section (a) and shall he made in such manner as the
2. Secretary shall provide.
3. "(6) NET TAX LIABILITY UNDER THIS SEC-
4. rrION.-For purposes of this subsection-
5. "(A) IN GENERAL.-The net tax liability
6. under this section with respect to any Unitcd
7. States shareholder is the excess (if any) of-
8. '' (i) such taxpayer's net income tax
9. for the taxable year in which an amount is
10. included in the gross income of such
11. Unitcd States shareholder under section
12. 95l(a)(l) by reason of this section, over
13. " (ii) such taxpayer's net income tax
14. for such taxable year determined-
15. "(I) without regard to this sec-
16. tion, and
17. "(II) without regard to any in-
18. come or deduction properly attrib-
19. utable to a dividend received by such
20. United States shareholder from any
21. deferred foreign income corporation.
22. "(B) NET INCOME TAX.-The term 'net
23. income tax' means the regular tax liability re-
24. duced by the credits allowed under subparts A,
25. B, and D of part IV of subchapter A.

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* 1. "(i) **SPECIAL RULES FOR S CORPORATIOX SHARE-**
  2. **HOLDERS.-**
  3. "(1) IN GENERAL.-In the case of any S cor-
  4. poration which is a United States shareholder of a
  5. deferred foreign income corporation, each share-
  6. holder of such S corporation may elect to defer pay-
  7. ment of such shareholder's net tax liability under
  8. this section with respect to such S corporation until
  9. the shareholder's taxable year which includes the
  10. triggering event with respect to such liability. Any
  11. *net* tax liahility payment of which is deferred under
  12. the preceding sentence shall be assessed on the re-
  13. turn of tax as an addition to tax in the shareholder's
  14. taxable year which includes such triggering event.
  15. "(2) TRIGGERIXG EYENT.-
  16. **"(A)** IN GENERAL.-In the case of any
  17. shareholder's net tax liability under this section
  18. with respect to any S corporation, the trig-
  19. gcring event with respect to such liability 1s
  20. whichever of the following occurs first:
  21. '' (i) Such corporation ceases to he an
  22. S corporation (determined as of the first
  23. day of the first taxable year that such cor-
  24. poration is not an S corporation).

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* + 1. "(ii) A liquidation or sale of suhstan-
    2. tially all the assets of such S corporation
    3. (including in a title 11 or similar case), a
    4. cessation of business by such S corpora­
    5. tion, such S corporation ceases to exist, or
    6. any similar circumstance.
    7. '' (iii) A transfer of any share of stock
    8. in such S corporation by the taxpayer (in­
    9. cluding by reason of death, or otherwise).
    10. "(B) PARTIAL TRANSFERS OF STOCK.-ln
    11. the case of a transfer of less than all of the tax­
    12. payer's shares of stock in the S corporation,
    13. such transfer shall only be a triggering event
    14. with respect to so much of the taxpayer's net
    15. tax liability under this section with respect to
    16. such S corporation as is properly allocahle to
    17. such stock.
    18. "(C) TRANSFER OF LIABILITY.-A trans­
    19. fer described in clause (iii) of subparagraph (A)
    20. shall not be treated as a triggering event if the
    21. transferee enters into an agreement with the
    22. Secretary under which such transferee is liable
    23. for net tax liability with respect to such stock
    24. in the same manner as if such transferee were
    25. the taxpayer.

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1. "(3) NET TAX LIABILITY.-A shareholder's net
2. tax liability under this section with respect to any S
3. corporation is the net tax liability under this section
4. which would be determined under subsection (h)(o)
5. if the only subpart F income taken into account by
6. such shareholder hy reason of this section were allo-
7. cations from such S corporation.
8. "(4) ELECTION TO PAY DEFERRED LIABILITY
9. IN INST.ALLMENTS.-In the case of a taxpayer which
10. elects to defer payment under paragraph (1)-
11. "(A) suhsection (h) shall he applied sepa-
12. rately with respect to the liability to which such
13. election applies,
14. "(B) an election under subsection (h) with
15. respect to such liability shall be treated as time-
16. ly made if made not later than the due date for
17. the return of tax for the taxable year in which
18. the triggering event with respect to such liabil-
19. ity occurs,
20. " (C) the first installment under subsection
21. (h) with respect to such liahility shall he paid
22. not later than such due date (but determined
23. without regard to any extension of time for fil-
24. ing· the return), and

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* 1. '' ( D) if the triggering event with respect to
  2. any net tax liability is deseribed in paragraph
  3. (2)(A)(ii), an election under subsection (h) with
  4. rcspeet to sueh liability may be made only with
  5. the consent of the Secretary.
  6. **"(5) JOINT AND SEVERAL LIABILITY OF S COR-**
  7. PORATION.-If any shareholder of an S corporation
  8. elects to defer payment under paragraph (1), such
  9. S eorporation shall be jointly and severally liable for
  10. such payment and any penalty, addition to tax, or
  11. additional amount attrihutahle thereto.
  12. "( 6) EXTENSION OF LIMITATION ON COLLEC-
  13. TIOX.-Any limitation on the time period for the col-
  14. leetion of a liability deferred under this subsct tion
  15. shall not be treated as beginning before the date of
  16. the triggering event with respect to such liability.
  17. **"(7) AXXPAL REPORTING OF XET TAX LIABIL-**
  18. ITY.-
  19. "(A) Ix GEXEHAL.-Any shareholder of an
  20. S corporation which makes an election under
  21. paragraph (1) shall report the amount of such
  22. shareholder's deferred net tax liability on sueh
  23. shareholder's return of tax for the taxable year
  24. for whieh sueh eleetion is made and on the re-
  25. turn of tax for each taxable year thereafter

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1. until such amount has been fully assessed on
2. such returns.
3. "(B) DEFERRED NET TAX LIABILITY.-
4. For purposes of this paragraph, the term 'de-
5. ferred net tax liability' means, with respect to
6. any taxable year, the amount of net tax liability
7. payment of which has been deferred under
8. paragraph (1) and which has not been assessed
9. on a return of tax for any prior taxable year.
10. "(C) FAILURE TO REPORT.-In the case of
11. any failure to report any amount required to he
12. reported under subparagTaph (A) with respect
13. to any taxable year before the due date for the
14. return of tax for such taxable year, there shall
15. be assessed on such return as an addition to
16. tax 5 percent of such amount.
17. " (8) ELECTION.-Any election under paragTaph

18 (1)-

1. '' (A) shall be made by the shareholder of
2. the S corporation not later than the due date
3. for such shareholder's return of tax for the tax-
4. able year which includes the close of the taxable
5. year of such S corporation in which the amount
6. described in subsection (a) is taken into ac-
7. count, and

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* 1. ''(B) shall he made in such manner as the
  2. Secretary shall prmride.
  3. "(j) REPORTING BY S CORPORATION.-Each S cor-
  4. poration which is a United States shareholder of a spcci-
  5. fied foreign corporation shall report in its return of tax
  6. under section 6037(a) the amount includihlc in its gross
  7. income for such taxable year by reason of this section and
  8. the amount of the deduction allowable by subsection (b).
  9. Any copy provided to a shareholder under section 6037(b)
  10. shall include a statement of such shareholder's pro rata
  11. share of such amounts.
  12. "(k) EXTENSION OF LIMITATION ON ASSESSMEXT.-
  13. Not"\\rithstanding section 6501, the limitation on the time
  14. period for the assessment of the net tax liability under
  15. this section (as defined in subsection (h)(6)) shall not ex-
  16. pire hefore the date that is 6 years after the return for
  17. the taxable year described in such subsection was filed.
  18. "(l) RECAPTURE FOR EXPATRIATED ENTITIES.-
  19. "(1) IN GENERAL.-If a deduction is allowed
  20. under subsection (c) to a United States shareholder
  21. and such shareholder first hecornes an expatriated
  22. entity at any time during the 10-year period beg;in-
  23. ning on the date of the enactment of the Tax Cuts
  24. and Jobs Act, then-

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* + 1. **"(A)** the tax imposed by this chapter shall
    2. be increased for the first taxable year in which
    3. such taxpayer becomes an expatriated entity by
    4. an amount equal to 35 percent of the amount
    5. of the deduction allowed to the specified foreign
    6. corporation under subsection (c), and
    7. "(B) no credits shall be allowed ag-ainst
    8. the increase in tax under subparagraph (A).
    9. "(2) EXPA'rIUA'rED EWlTrY.-For purposes of
    10. this subsection, the term 'expatriated entity' has the
    11. same meaning given such term under section
    12. 7874(a)(2), except that such term shall not inelude
    13. an entity if the surrogate foreign corporation with
    14. respect to the entity is treated as a domestic cor-
    15. poration under section 7874(b).
    16. **"(m) SPECIAL RULES FOR UNITED STATES SHARE-**
    17. **HOLDERS WHICH ARE REAL ESTATE lNVEST VIENT**
    18. **TRUSTS.-**
    19. **"(1) IN** GENEHAL.-If a real estate investment
    20. trust is a United States shareholder in 1 or more de-
    21. ferred foreign income corporations-
    22. **"(A)** any amount required to be taken into
    23. account under section 95l(a)(l) by reason of
    24. this section shall not be taken into account as
    25. gross income of the real estate investment trust

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1. for purposes of applying paragraphs (2) and (3)
2. of seetion 856(c) to any taxable year for which
3. such amount is taken into account under sec­
4. tion 951(a)(l), and
5. "(B) if the real estate inYestment trust
6. elects the application of this subparagraph, not­
7. withstanding· subsection (a), any amount re­
8. quired to be taken into account under section
9. 951 (a)(1) by reason of this section shall, in lieu
10. of the taxable year in which it would otherwise
11. he included in gross income ( (for purposes of
12. the computation of real estate investment trust
13. taxable income under section 857(h)), be in­
14. eluded in gross income as follows:
15. "(i) 8 percent of such amount in the
16. case of each of the taxable years in the 5-
17. taxable year period beginning with the tax­
18. able year in which such amount would oth­
19. erwise be included.
20. " (ii) 15 percent of such amount in the
21. case of the 1st taxable year follmving such
22. period.
23. "(iii) 20 percent of such amount in
24. the ease of the 2nd taxable year following;
25. such period.

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* 1. "(iY) 25 percent of such amount in
  2. the ease of the 3rd taxable year following
  3. such period.
  4. "(2) RULES I•,,OR rrIWSrl'S ELECrl'ING DEI•,,EHimD
  5. INCLUSION.-
  6. "(A) ELECTION.-Any election under
  7. paragraph (l)(B) shall be made not later than
  8. the due date for the first taxable year in the 5-
  9. taxable year period deseribed in elause (i) of
  10. paragraph (l)(B) and shall be made in such
  11. manner as the Secretary shall provide.
  12. "(B) SPECIAL RPLES.-If an election
  13. under paragraph (1)(B) is in effect with respect
  14. to any real estate investment trust, the fol­
  15. lowing rules shall apply:
  16. "(i) **APPLICATION OF PARTICIPATION**
  17. EXEMPTION.-For purposes of subsection

18 (c)(l )-

1. " (I) the aggregate amount to
2. which subparagraph (A) or (B) of
3. subsection (c) (1) applies shall he de­
4. termined without regard to the elee­
5. tion,

24 "(II)

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aggregat*,e*

25 amount shall be allocated to each tax-

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1. ahle year descrihed m paragraph
2. (l)(B) in the same proportion as the
3. amount included in the gross income
4. of sueh United States shareholder
5. under section 95l(a)(l) by reason of
6. this section is allocated to each such
7. taxable year.
8. "(III) No INSTALLMEXT PAY­
9. IEXTS.-The real estate investment
10. trust may not make an election under
11. suhsection (g) for any taxahlc year de­
12. S( ribed in paragTaph (1)( B).
13. "(ii) ACCELERATIOX OF INCLUSION.­
14. If there is a liquidation or sale of substan­
15. tially all the assets of the real estate in­
16. vestment trust (including in a title 11 or
17. similar case), a cessation of business by
18. such trust, or any similar circumstance,
19. then any amount not yet ineluded in gross
20. income under paragraph (l)(B) shall be in­
21. cluded in gross income as of the day hefore
22. the date of the event and the unpaid por­
23. tion of any tax liability with respect to
24. sueh inelusion shall be due on the date of
25. such event (or in the case of a title **11** or

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1. similar case, the day hefore the petition is
2. filed).
3. **"(n) ELECTION NOT TO APPLY NET OPERATING**
4. Loss DEDUCTION.-
5. **"(1) IN** GENERAL.-If a United States share-
6. holder of a deferred foreign income corporation
7. elects the application of this subsection for the tax-
8. able year described in subsection (a), then the
9. amount described in paragraph (2) shall not be
10. taken into account-
11. **"(A)** in determining the amount of the net
12. operating· loss deduction under section 172 of
13. such shareholder for such taxable year, or
14. '' (B) in determining the amount of taxable
15. income for such taxable year which may be re-
16. duced hy net operating loss carryovers or
17. carrybacks to such taxable year under section

**18 172.**

19 "(2) 1\iIOUNT DESCRIBED.-The amount de- 2O scribed in this paragraph is the sum of-

1. "(A) the amount required to he taken into
2. account under section 95l(a)(l) by reason of
3. this section (determined after the application of
4. subsection (c)), plus

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* 1. **"(B)** in the case of a domestic corporation
  2. which chooses to have the benefits of subpart A
  3. of part III of subchapter N for the taxable
  4. year, the taxes deemed to be paid by such cor-
  5. poration under subsections (a) and (b) of sec-
  6. tion 960 for such taxable year with respect to
  7. the amount described in subparagraph (A)
  8. which are treated as a dividends under section 9 78.

1. "(3) ELECTIOX.-Any election under this sub-
2. section shall he made not later than the diie date
3. (including extensions) for filing the return of tax for
4. the taxable year and shall be made in such manner
5. as the Secretary shall prescribe.
6. " (o) REGULATIONS.-The Secretary shall prescribe
7. such regulations or other guidance as may he necessary
8. or appropriate to carry out the provisions of this section
9. or to prevent the avoidance of the purposes of this section,
10. including through a reduction in earnings and profits
11. through changes in entity classification, changes in ac-
12. counting methods, or otherwise.".
13. (b) CLERICAL AlVIENDMENT.-The table of sections
14. for subpart F of part III of subchapter N of chapter 1
15. is amended by striking the item relating to section 965
16. and inserting the following:

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"Sec. 965. Treatment of deferred foreign income upon transition to participa­ tion exemption system of taxation.".

* 1. **Subpart B-Rules Related to Passive and Mobile**
  2. **Income**
  3. **CHAPTER I-TAXATION OF FOREIGN-DE-**
  4. **RIVED INTANGIBLE INCOME AND**
  5. **GLOBAL INTANGIBLE LOW-TAXED IN-**
  6. **COME**
  7. **SEC. 14201. CURRENT YEAR INCLUSION OF GLOBAL INTAN-**
  8. **GIBLE LOW-TAXED INCOME BY UNITED**
  9. **STATES SHAREHOLDERS.**
  10. (a) IN GENERAL.-Suhpart F of part III of suh-
  11. chapter N of chapter 1 is amended by inserting· after sec-
  12. tion 951 the following new section:
  13. **"SEC. 951A. GLOBAL INTANGIBLE LOW-TAXED INCOME IN-**
  14. **CLUDED IN GROSS INCOME OF UNITED**
  15. **STATES SHAREHOLDERS.**
  16. "(a) IN GENERAL.-Eaeh person who is a United
  17. States shareholder of any controlled foreign corporation
  18. for any taxable year of such United States shareholder
  19. shall include in gross income such shareholder's global in-
  20. tangible low-taxed income for such taxahlc year.
  21. "(b) GLOBAL lXTANGIBLE LOW-TAXED lNCOME.-
  22. For purposes of this section-
  23. "(1) IN GENERAL.-The term 'global intangible
  24. low-taxed income' means, ·with respect to any United

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1. States shareholder for any taxahle year of such
2. United States shareholder, the excess (if any) of-
3. **"(A)** such shareholder's net CFC tested in-
4. come for such taxable year, oYer
5. **"(B)** such shareholder's net deemed tan-
6. gihlc income return for such taxable year.
7. "(2) NET DEEMED TANGIBLE INCOME RE-
8. TURN.-The term 'net deemed tangible income re-
9. turn' means,· with respect to any United States
10. shareholder for any taxable year, an amount equal
11. to 10 percent of the aggregate of such shareholder's
12. pro rata share of the qualified business asset invest-
13. ment of each controlled foreign corporation with re-
14. spect to which such shareholder is a United States
15. shareholder for such taxable year (determined for
16. each taxable year of each such controlled foreign
17. corporation which ends in or with such taxable year
18. of such United States shareholder).
19. "(c) NE'l' CFC TES'1'ED INCOME.-For purposes of
20. this section-
21. "(l) IN GEXERAL.-The term 'net CFC tested
22. income' means, with respe( t to any United States
23. shareholder for any taxable year of such United
24. States shareholder, the excess (if any) of-

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* 1. **"(A)** the aggregate of such shareholder's
  2. pro rata share of the tested income of each con-
  3. trolled foreign corporation with respect to which
  4. such shareholder is a United States shareholder
  5. for such taxable year of such United States
  6. shareholder (determined for each taxable year
  7. of SlH h controlled foreig·n corporation which
  8. ends in or ,vith such taxable year of such
  9. United States shareholder), oyer
  10. **"(B)** the aggregate of such shareholder's
  11. pro rata share of the tested loss of each con-
  12. trolled foreign corporation with respect to which
  13. such shareholder is a United States shareholder
  14. for such taxable year of such United States
  15. shareholder (determined for each taxable year
  16. of such controlled foreign corporation which
  17. ends in or ·with such taxable year of such
  18. United States shareholder).
  19. "(2) TESTED INCO:\IE; 'rES'rED Jjoss.-For pur-
  20. poses of this section-
  21. **"(A)** TESTED INCOME.-The term 'tested
  22. income' means, with respt1ct to any controlled
  23. foreign corporation for any taxable year of such
  24. controlled foreign corporation, the excess (if
  25. any) of-

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* + 1. '' (i) the gross income of such corpora-
    2. tion determined without reg·ard to-
    3. " (I) any item of income described
    4. in scetion 952(b),
    5. "(II) any gross income taken into
    6. account in determining the subpart F
    7. income of such eorporation,
    8. "(III) any gross income excluded
    9. from the foreign base eompany income
    10. (as defined in section 954) and the in­
    11. surance income (as defined in section
    12. 953) of such corporation by reason of

13 section 954(b)(4),

1. "(IV) any cfoi.dend reeeived from
2. a related person (as defined in section

16 954(d)(3)), and

1. "(V) any foreign oil and gas ex­
2. traction income (as defined in section
3. 907(e)(l)) of sueh corporation, over
4. '' (ii) the deductions (including taxes)
5. properly allocable to such gross income
6. under rules similar to the rules of section

23 9fi4(h)(fi).

24 "(B) TESTED LOSS.-

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1. "(i) IN GENERAL.-The term 'tested
2. loss' means, with respect to any controlled
3. foreign corporation for any taxable year of
4. such controlled foreign corporation, the ex­
5. cess (if any) of the amount described in
6. subparagraph (A)(ii) over the amount de­
7. scribed in subparag-raph (A)(i).
8. "(ii) COORDINATION WITH SUBPART F
9. rro DENY DOUBLE BENEF,rr OP LOSSES.-
10. Section 952(c)(l)(A) shall be applied by
11. increasing the earnings and profits of the
12. controlled foreign corporation by the tested
13. loss of such corporation.
14. "(d) QUALIPIED BUSINESS ASSET lXVESri, rnwr.-
15. For purposes of this section-
16. "(l) IN GEXERAL.-The term 'qualified husi-
17. ness asset investment' means, with respect to any
18. corporation for any taxable year of such controlled
19. foreign corporation, the average of the aggregate of
20. the corporation's adjusted bases as of the close of
21. each quarter of such taxable year in specified tan-
22. g·ible property -
23. "(A) used m a trade or business of the
24. corporation, and

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* 1. '' (B) of a type with respect to which a de-
  2. duction is allowable under section 167.
  3. **"(2)** SPECIFIED TANGIBLE PROPERTY.-
  4. **"(A)** Ix GEXEHAL.-The term 'specified
  5. tangible property' means, except as provided in
  6. subparagraph **(B),** any tangible property used
  7. in the production of tested income.
  8. "(B) DUAL USE PROPERTY.-In the case
  9. of property used both in the production of test-

IO ed income and income which is not tested in-

1. come, such property shall he treated as speci-
2. fied tangible property in the same proportion
3. that the gross income described in subsection
4. (c)(l)(A) produced with respect to such prop-
5. erty bears to the total gross income produced
6. with respect to such property.
7. "(3) DETERMINATION OF AD.JUSTED BASIS.-
8. For purposes of this subsection, notwithstanding any
9. provision of this title (or any other provision of law)
10. which is enacted after the date of the enactment of
11. this section, the adjusted hasis in any property shall
12. be determined using the alternative depreciation sys-
13. tern under section 168(g).
14. "( 4) REGULATIONS.-The Secretary shall issue
15. such regulations or other guidance as the Secretary

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1. determines appropriate to prewmt the avoidance of
2. the purposes of this subsection, including reg11lations
3. or other guidance which prmide for the treatment of
4. property if-
5. '' (A) such property is transferred, or held,
6. temporarily, or
7. **"(B)** the avoidance of the purposes of this
8. paragraph is a factor in the transfer or holding
9. of sueh property.
10. "(e) DETERMINATION OF PRO RATA SHARE, ETC.-
11. For purposes of this section-
12. "(1) IN GEXERAL.-The pro rata shares re-
13. ferred to in subsections (b), (c)(l)(A), and (c)(l)(B),
14. respeetiYely, shall be determined under the rules of
15. section 951 (a)(2) in the same manner as such sec-
16. tion applies to subpart F income and shall he taken
17. into aeeount in the taxable year of the United States
18. shareholder in which or with which the taxable year
19. of the controlled foreign corporation ends.
20. "(2) TREATMENT AS UNITED STATES SHARE-
21. HOLDER.-For purposes of paragraph (1), a person
22. shall be treated as a United States shareholder of a
23. controlled foreign corporation for any taxable year
24. only if such person owns (within the meaning of sce-
25. tion 958(a)) stock in such foreign corporation on the

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1. last day, in such year, on which such foreign cor-
2. poration is a controlled foreign corporation.
3. "(3) TREATMENT AS CONTROLLED FOREIGN
4. COIU>OIU'rION.-A foreign corporation shall be treat-
5. ed as a controlled foreign corporation for any tax-
6. ahle year if such foreign corporation is a controlled
7. foreig·n corporation at any time <luring such taxable
8. year.
9. "(f) 'rHEA'rl\iIEN'r AS SUBPAR'r F INCOME POH CEH-
10. TAIN PURPOSES.-
11. "(1) IN GE ERAL.-
12. "(A) APPLICATIOX.-Except as provided in
13. subparagraph (B), any global intangible low­
14. taxed income included in gross income under
15. subsection (a) shall be treated in the same
16. manner as an amount included under section
17. 951(a)(l)(A) for purposes of applying sections 18 168(h)(2)(B), 535(b)(10), 85l(b), 904(h)(l),

19 959, 961,

20 996(f)(l),

962(c), 962(d),

1248(b)(l),

993(a)(l)(E),

1248(d)(l),

21 6501(e)(l)(C), 6654( d)(2)(D), and 6655(e) (4).

1. "(B) EXCEPTION .-The Secretary shall
2. provide rules for the application of subpara­
3. graph (A) to other provisions of this title in any
4. case in which the determination of subpart F

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1. mcome 1s required to he made at the level of
2. the controlled foreign corporation.
3. **"(2)** ALLOCATION OF GLOBAL INTANGIBLE
4. LOW-'rAXED INCOME 'rO CONTHOLLED l•-,OREIGN COR-
5. PORATIONS.-For purposes of the sections referred
6. to in paragraph (1), with respect to any controlled
7. foreign corporation any pro rata amount from which
8. is taken into account in determining the global in-
9. tangible low-taxed income included in gross income
10. of a United States shareholder under subsection (a),
11. the portion of such glohal intangihle low-taxed in-
12. come which is treated as being with respect to such
13. controlled foreign corporation is-
14. "(A) in the ease of a controlled foreign
15. corporation with no tested income, zero, and
16. "(B) in the case of a controlled foreign
17. corporation with tested income, the portion of
18. such global intangible low-taxed income which
19. bears the same ratio to such global intang·ible
20. low-taxed income as-
21. " (i) such United States shareholder's
22. pro rata amount of the tested income of
23. such controlled foreign corporation, bears
24. to

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* 1. '' (ii) the aggregate amount described
  2. m subsection (c)(l)(A) with respect to
  3. such United States shareholder.".
  4. (b) 1 -,OHEIGN TAX CHEDrr.-
  5. **(1)** APPLICATION OF DEEMED PAID FOREIGN
  6. TAX CREDIT.-Section 960 is amended adding at the
  7. end the following new subsection:
  8. "(d) DEE:WED PAID CREDIT FOR TAXES PROPERLY
  9. **Arr'rlUBUTABLE rro TEsrrED INCOME.-**

IO "(1) IN GE ERAL.-For purposes of this sub-

1. part, if any amount is includihle in the gross income
2. of a domestic corporation under section 951A, such
3. domestic corporation shall be deemed to have paid
4. foreign income taxes equal to 80 percent of the
5. product of-
6. **"(A)** such domestic corporation's inclusion
7. percentage, multiplied by
8. **"(B)** the aggregate te8ted foreign income
9. taxes paid or accrued by controlled foreign cor-
10. porations.
11. **"(2)** INCLUSIOX PERCENTAGE.-For purposes
12. of paragTaph (1), the term 'inclusion percentage'
13. means, with respect to any domestic corporation, the
14. ratio (expressed as a percentage) of-

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* 1. "(A) such corporation's glohal intangihle
  2. low-taxed nwome (as defined m seetion
  3. 951A(b)), divided by
  4. "(B) the aggregate amount deseribed in
  5. section 951A(c)(l)(A) with respect to such cor­
  6. poration.
  7. "(3) TESTED FOREIGN IXCOME TAXES.-For
  8. purposes of paragraph (1), the term 'tested foreign
  9. ineome taxes' means, with respcet to any domestie
  10. corporation which is a United States shareholder of
  11. a controlled foreign corporation, the foreign income
  12. taxes paid or aeerued by sneh foreign eorporation
  13. which are properly attributable to the tested income
  14. of such foreign corporation taken into aeeount by
  15. such domestic corporation under section 951A.".
  16. (2) APPLICATION OF FOREIGN TAX CREDIT
  17. LIMITATION.-
  18. (A) SEPARATE BASKET FOR GLOBAL IN-
  19. rrANGIBLE LOW-rrAXED INCOME.-Section
  20. 904(d)(l) is amended by redesignating subpara­
  21. graphs (A) and (B) as suhparagraphs (B) and
  22. (C), respel tively, and by inserting before sub­
  23. paragraph (B) (as so redesignated) the fol­
  24. lowing new subparagraph:

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* + 1. "(A) any amount includihlc m gross m-
    2. eome under section 95lA (other than passive
    3. category income),''.
    4. (B) EXCLUSION PHOM GENE!W.J CArr-
    5. EGORY INCOME.-Section 904(d)(2)(A)(ii) IS
    6. amended hy inserting "income descrihed m
    7. paragTaph (l)(A) and" before "passive category
    8. income".
    9. (C) No CAHHYOVEH OH CAHlffBACK OP EX-
    10. CESS TAXES.-Section 904(c) is amended by
    11. adding at the end the following: "This suh-
    12. section shall not apply to taxes paid or aecrued
    13. ·with respect to amounts described in subsection

14 (d)(l)(A).".

1. (c) CLERICAL AMENDMENT .-The table of sections
2. for suhpart F of part III of suhchapter N of chapter **1**
3. is amended by inserting after the item relating· to section
4. 951 the following new item:

"Sec. 951A. Global intangible low-taxed income included in gross income of United States shareholders.".

1. (d) EFFECTIVE DATE.-The amendments made by
2. this section shall apply to taxable years of foreign corpora-
3. tions beginning· after December 31, 2017, and to taxable
4. years of United States shareholders in which or with which
5. such taxable years of foreign corporations end.

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | **SEC. 14202. DEDUCTION FOR FOREIGN-DERIVED INTAN-** | | | | |
| 2 | **GIBLE INCOME AND GLOBAL INTANGIBLE** | | | | |
| 3 | **LOW-TAXED INCOME.** | | | | |
| 4 | (a) IN GENERAL.-Part VIII of subchapter B of | | | | |
| 5 | chapter 1 is amended by adding at the end the following | | | | |
| 6 | new section: | | | | |
| 7 | **"SEC. 250. FOREIGN-DERIVED INTANGIBLE INCOME AND** | | | | |
| 8 | **GLOBAL INTANGIBLE LOW-TAXED INCOME.** | | | | |
| 9 | "(a) ALLOWANCE OF DEDUCTION.- | | | | |
| IO | "(l) IN GENERAL.-In the case of a domestic | | | | |
| 11 | corporation for any taxable year, there shall be al- | | | | |
| 12 | lowed as a deduction an amount equal to the sum | | | | |
| **13** | of- | | | | |
| 14 | **"(A)** 87.5 percent of the foreign-derived in- | | | | |
| **15** | tangible income of such domestic corporation | | | | |
| **16** | for such taxable year, plus | | | | |
| 17 | **"(B)** 50 percent of the glohal intangible | | | | |
| **18** | low-taxed income amount (if any) which is in- | | | | |
| 19 | eluded in the gross income of such domestic | | | | |
| 20 | corporation under section 95lA for such taxable | | | | |
| 21 | year. | | | | |
| 22 | "(2) | LIMITATION | BASED ON | TAXABLE | IN- |
| **23** | **COME.-** |  |  |  |  |
| 24 | "(A) IN GENERAL.-If, for any taxable | | | | |

25 year-

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1. "(i) the sum of the foreign-derived in-
2. tang·ible income and the global intangible
3. low-taxed income amount otherwise taken
4. into account by the domestic corporation
5. under paragraph ( **1),** exceeds
6. " (ii) the taxahle income of the domes-
7. tic corporation (determined without regard
8. to this section),
9. then the amount of the foreign-derived intan-
10. gible income and the global intangible low-taxed
11. income amount so taken into account shall he
12. reduced as provided in subparagraph (B).
13. "(B) REDUCTION.-For purposes of sub-
14. paragraph (A)-
15. "(i) foreign-derived intangible income
16. shall he reduced hy an amount which hears
17. the same ratio to the excess described in
18. subparagraph (A) as such foreign-derived
19. intangible income bears to the sum de-
20. scribed in subparagraph (A)(i), and
21. "(ii) the glohal intangihlc low-taxed
22. income amount shall be reduced by the re-
23. mainder of such excess.
24. **"(3) REDUCTION IN DEDUCTION FOR TA.\_XABLE**
25. YEARS AFTER 2025.-ln the case of any taxable year

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1. beginning after December :n, 2025, paragraph (1)
2. shall be applied by substituting·-
3. "(A) '21.875 percent' for '37.5 percent' in
4. subparagraph (A), and
5. "(B) ':37.5 percent' for '50 percent' in sub-
6. paragraph (B).
7. "(b) FOREIGN-DERIVED INTA. GIBLE INCOME.-For
8. purposes of this section-
9. "(1) IN GENEIWJ.-The foreign-derin d intan-
10. gible income of any domestic corporation is the
11. amount which hears the same ratio to the deemed
12. intangible ineome of sm h eorporation as-
13. "(A) the foreign-deriYed deduction eligible
14. ineome of sueh eorporation, bears to
15. "(B) the deduction eligible income of such
16. corporation.
17. "(2) DEEMED INTANGIBLE INCOME.-For pur-
18. poses of this subsection-
19. "(A) IN GENEIWJ.-The term 'deemed in-
20. tangible income' means the excess (if any) of-
21. " (i) the deduction eligible income of
22. the domestic corporation, over
23. "(ii) the deemed tangible mcome re-
24. turn of the corporation.

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1. "(B) DEE:MED TANGIBLE INCOME RE-
2. TURX.-The term 'deemed tang·ible income re­
3. turn' means, with respect to any corporation,
4. an amount equal to 10 percent of the corpora­
5. tion's qualified business asset inYestment (as
6. defined in section 951A(d), determined hy suh­
7. stitnting 'deduction eligible income' for 'tested
8. income' in paragraph (2) thereof).
9. "(3) DEDCCTIO ELIGIBLE IXCOME.-
10. "(A) Ix GENERAL.-The term 'deduction
11. eligihle income' means, with respect to any do­
12. mestic corporation, the excess (if any) of-
13. "(i) gross income of such corporation
14. determined without regard to-
15. " (I) the subpart F mcome of
16. such corporation determined under
17. section 951,
18. "(II) the global intangible low­
19. taxed income determined under sec­
20. tion 951A,
21. "(III) any financial services m­
22. t ome (as defined m section
23. 904(d)(2)(D)) of such corporation
24. which is not described in clause (ii),

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* 1. "(IV) any dividend received from
  2. a eorporation whieh is a eontrolled
  3. foreign corporation of such domestic
  4. eorporation,
  5. "(V) any domestic oil and gas ex-
  6. traction income of such corporation,
  7. and
  8. '' (VI) any foreign branch income
  9. (as defined in seetion 904(d)(2)( J)),
  10. over
  11. "(ii) the deductions (including taxes)
  12. properly allocable to such gross income
  13. under rules similar to the rules of section

14 954(b)(5).

1. **"(B)** DOMESTIC OIL AND GAS EXTRACTIOX
2. INCOME.-For purposes of suhparagraph (A),
3. the term 'domestie oil and gas extraetion in-
4. come' means mcome described in section
5. 907(e)(l), determined by substituting 'within
6. the United States' for 'without the United
7. States'.
8. "( 4) FOREIGN-DERIYED DEDUCTIOX ELIGIBLE
9. INCOME.-The term 'foreign-derived deduction eligi-
10. ble ineome' means, with respeet to any taxpayer for

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1. any taxable year, any deduction eligible income of
2. such taxpayer which is derived in ( onnection with-
3. "(A) property-
4. " (i) which is sold by the taxpayer to
5. a,ny person who is not a United States per-
6. son, and
7. "(ii) which the taxpayer establishes to
8. the satisfaction of the Secretary is for a
9. foreign use, or
10. **"(B)** services provided by the taxpayer
11. which the taxpayer establishes to the satisfac-
12. tion of the Secretary are provided to any per-
13. son, or with respect to property, not located
14. within the United States.
15. "(5) RULES RELATIXG TO FOREIGN USE PROP-
16. ERTY OR SERVICES.-For purposes of this suh-
17. section-
18. "(A) FOREIGN USE.-The term 'foreign
19. use' means any use, consumption, or disposition
20. which is not within the United States.
21. **"(B)** PROPERTY OR SERYICES PROVIDED
22. TO DOMESTIC INTERMEDIARIES.-
23. " (i) PROPERTY.-If a taxpayer sells
24. property to another person (other than a
25. related party) for further manufacture or

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1. other modification within the United
2. States, such property shall not be treated
3. as sold for a foreign use even if such other
4. person subsequently uses such property for
5. a foreign use.
6. "(ii) SERVICES.-If a taxpayer pro­
7. vides services to another person (other
8. than a related party) located within the
9. United States, such serTices shall not be
10. treated as described in paragraph (4) (B)
11. even if such other person uses such serv­
12. ices in providing; services which are so de­
13. scribed.
14. " (C) SPECIAL HULES wrrn HESPECT rro
15. RELATED PARTY TRANSACTIONS.-
16. "(i) SALES TO RELATED PARTIES.-If
17. property is sold to a related party who is
18. not a United States person, such sale shall
19. not be treated as for a foreign use un­
20. less-
21. "(I) such property is ultimately
22. sold by a related party, or used by a
23. related party in connection with prop­
24. erty which is sold or the prmision of
25. services, to another person who is an

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1. unrelated party who 1s not a United
2. States person, and
3. '' (II) the taxpayer establishes to
4. the satisfaction of the Secretary that
5. such property is for a foreign use.
6. For purposes of this clause, a sale of prop­
7. erty shall be treated as a sale of each of
8. the components thereof.
9. "(ii) **SERVICE PROVIDED TO HELA'rED**
10. PARTIES.-If a seni.ce is provided to a re­
11. lated party who is not located in the
12. United States, such service shall not be
13. treated described in subparagraph **(A)(ii)**
14. unless the taxpayer established to the sat­
15. isfaction of the Secretary that such service
16. is not substantially similar to services pro­
17. vided by such related party to persons lo­
18. cated within the United States.
19. **"(D)** RELATED PAWrY.-For purposes of
20. this paragraph, the term 'related party' means
21. any member of an affiliated group as defined in
22. se( tion 1504(a), determined-
23. "(i) by substituting 'more than 50
24. percent' for 'at least 80 percent' each place
25. it appears, and

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* 1. "(ii) without regard to paragraphs (2)
  2. and (3) of se( tion 1504(b).
  3. Any person (other than a corporation) shall be
  4. treated as a member of sueh group if sueh per-
  5. son is controlled by members of such group **(in-**
  6. eluding any entity treated as a member of such
  7. g-roup Ly reason of this sentence) or controls
  8. any such member. For purposes of the pre-
  9. eeding sentence, eontrol shall be determined
  10. under the rules of section 954(d)(3).
  11. " (E) SOLD.-For purposes of this suh-
  12. section, the terms 'sold', 'sells', and 'sale' shall
  13. include any lease, license, exchange, or other
  14. disposition.
  15. "(c) REGULATIONS.-The Secretary shall prescribe
  16. such regulations or other guidance as may he necessary
  17. or appropriate to carry out the provisions of this section.".
  18. (b) CONFORMING Al\;rnNDMENTS.-
  19. (1) Scetion 172(d), as amended by section
  20. 13011, is amended by adding at the end the fol-
  21. lowing new paragraph:
  22. "(10) DEDt'CTION FOR FOREIGX-DERIVED IN-
  23. TANGIBLE INCO:\IE.-The deduction under section
  24. 250 shall not be allowed.".
  25. (2) Section 246(b)(l) is amended-

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* + 1. (A) hy striking "and subsection (a) and (h)
    2. of seetion 245" the first plaee it appears and
    3. inserting ", subsection (a) and (b) of section
    4. 245, and seetion 250",
    5. (B) by striking "and subsection (a) and
    6. (h) of section 245" the second place it appPars
    7. and inserting "subsection (a) and (b) of section 8 245, and 250".

9 (3) Seetion 469(i)(3)(F)(iii) 1s amended by

1. striking "and 222" and inserting "222, and 250".
2. (4) The tahle of sections for part VIII of suh-
3. chapter B of chapter 1 is amended by adding at the
4. end the following new item:

"Sec. 250. Foreign-deriYed intangible income and global intangible low-taxed income.".

1. (c) EFFECTIYE DATE.-The amendments made by
2. this section shall apply to taxable years heginniug after

16 December 31, 2017.

1. **SEC. 14203. SPECIAL RULES FOR TRANSFERS OF INTAN-**
2. **GIBLE PROPERTY FROM CONTROLLED FOR-**
3. **EIGN CORPORATIONS TO UNITED STATES**
4. **SHAREHOLDERS.**
5. (a) IN GENERAL.-Snbpart F of part III of sub-
6. chapter N of chapter 1 is amended by adding at the end
7. the following new seetion:

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1. **"SEC. 966. TRANSFERS OF INTANGIBLE PROPERTY TO**
2. **UNITED STATES SHAREHOLDERS.**
3. "(a) IN GENERAL.-In the ease of any distribution
4. of intangible property which is held by a controlled foreign
5. corporation on the date of enactment of this section and
6. which is described in subsection (b)-
7. **"(l)** for purposes of part I of subchapter C and
8. any other provision of this title specified by the Sec-
9. retary, the fair market value of such property on the
10. date of such distribution shall be treated as not ex-
11. ceeding the adjusted basis of such property imme-
12. diately before such distribution, and
13. "(2) if the distribution is to a United States
14. shareholder and is not a diYidend-
15. "(A) the United States shareholder's ad-
16. justed basis in the stock of the controlled for-
17. eign corporation with respect to which such dis-
18. tribution is made shall be increased by the
19. amount (if any) of such distribution which
20. would (but for this subsection) be includible in
21. gross income, and
22. '' (B) the adjusted basis of such property in
23. the hands of such United States shareholder
24. immediately after such distribution shall be
25. such actiusted basis immediately before such

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1. distrihution reduced hy the amount of the m-
2. erease deseribed in subparagraph (A).
3. "(b) DISTRIBUTION .-A distribution is described in
4. this section if the distribution is-
5. "(1) received by a domestic corporation from a
6. controlled foreign corporation with respect to which
7. such corporation is a United States shareholder, and
8. "(2) made by the controlled foreign corporation
9. before the last day of the third taxable year of the
10. controlled foreign corporation beginning after De-

ll cemher :n, 2017.

1. "(c) INTANGIBLE PROPERTY.-For purposes of this
2. subsection, the term 'intangible property' has the meaning
3. given such term by section 936(h)(3)(B) or which is eom-
4. puter software described in section 197(e)(3)(B).".
5. (h) CONJ1"ORMING AlVfENDMENTS.-
6. (1) Section 197(f)(2)(B)(i) 1s amended by m- 18 serting "966(a)," after "731,".
7. (2) The table of sections for subpart F of part
8. III of subchapter N of chapter 1 is amended by add-
9. ing at the end the following new item:

"Sec. 966. Transfers of intangible property to rniterl States shareholrlers.".

1. (e) EFFECTIYE DATE.-The amendments made by
2. this section shall apply to distributions made in taxable
3. years of foreign corporations beginning after December
4. 31, 2017, and to taxable years of United States share-

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1. holders in which or with which such taxable years of for-
2. eign corporations end.

## CHAPTER 2-OTHER MODIFICATIONS OF

1. **SUBPART F PROVISIONS**
2. **SEC. 14211. ELIMINATION OF INCLUSION OF FOREIGN BASE**
3. **COMPANY OIL RELATED INCOME.**
4. (a) REPEAL.-Snbseetion (a) of section 954 Is
5. amended-
6. (**1)** by inserting "and" at the end of paragraph

10 (2),

1. (2) hy striking the comma at the end of para-
2. gTaph (3) and inserting- a period, and
3. (3) by striking paragraph (5).
4. (b) CO F'OHML\'G fillENDME TS.-
5. **(1)** Section 952(c)(l)(B)(iii) IS amended by
6. striking suhclausc ( I) and redesignating subclauses
7. (II) throng·h (V) as subclauses (I) throug·h (IV), re-
8. spectively.
9. (2) Section 954(b) is amendcd-
10. (A) by striking the second sentence of
11. para.graph (4),
12. (B) by striking· "the foreign base company
13. services income, and the foreign base company
14. oil related income" in paragraph (5) and insert-

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1. ing "and the foreign hase company services in-
2. eome", and
3. (C) by striking paragraph (6).
4. (3) Seetion 954 is amended by striking sub-
5. section (g).
6. (c) E F F1 ECTIYE DATE.-The amendments ma.de by
7. this section shall apply to taxable years of foreign eorpora-
8. tions beginning after December 31, 2017, and to taxable
9. years of United States shareholders with or within whieh
10. such taxable years of foreign corporations end.
11. **SEC. 14212. INFLATION ADJUSTMENT OF DE MINIMIS EX-**
12. **CEPTION FOR FOREIGN BASE COMPANY IN-**
13. **COME.**
14. (a) IN GENEH.AL.-Seetiou 954(b)(:3) is amended by
15. adding at the end the following new subparagraph:
16. **"(D)** INFLATION ADJUSTMEXT.-ln the
17. ease of any taxable year beginning· after 2017,
18. the dollar amount in subparagraph (A)(ii) shall
19. be increased by au amount equal to-
20. " (i) such dollar amount, multiplied by
21. "(ii) the cost-of-liYing adjustment de­
22. termined under section l(f)(3) for the eal­
23. endar year in which the taxable year be­
24. gms.

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* 1. Any increase determined under the preceding
  2. sentence shall be rounded to the nearest mul- 3 tiple of $50,000.".

1. (b) E F F1 E CTI VE DATK-The amendments made by
2. this section shall apply to taxable years of foreign corpora-
3. tions beginning after Decemher :31, 2017, and to taxahle
4. years of United States shareholders in which or with which
5. such taxable years of foreign corporations end.
6. **SEC. 14213. REPEAL OF INCLUSION BASED ON WITH-**
7. **DRAWAL OF PREVIOUSLY EXCLUDED SUB-**
8. **PART F INCOME FROM QUALIFIED INVEST-**
9. MENT.
10. (a) IN GENERAL.-Subpart F of part III of sub-
11. chapter N of chapter 1 is amended by striking section 955.
12. (b) COXFORMIXG AMENDMEXTS.-
13. (l)(A) Section 95l(a)(l)(A) is amended to read
14. as follows:
15. **''(A)** his pro rata share (determined under
16. paragraph (2)) of the corporation's subpart F
17. income for such year, and".
18. **(B)** Section 851(h) is amended hy striking "sec-
19. tion 95l(a)(l)(A)(i)" in the flush lang1rng·e at the
20. end and inserting "section 951(a)(l)(A)".

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* 1. (C) Section 952(c)(l)(B)(i) IS amended by
  2. striking· "seetion 951 (a)(1)(A) (i)" and inserting
  3. "section 95l(a)(l)(A)".
  4. (D) Seetion 953(c)(l)(C) is amended by strik-
  5. ing "section 95l(a)(l)(A)(i)" and inserting "section

6 95l(a)(l)(A)".

1. (2) Seetion 951 (a) is amended Ly striking para-
2. graph (3).
3. (3) Seetion 953(d)(4)(B)(iv)(II) is amended by
4. striking "or amounts referred to in clause (ii) or (iii)
5. of S<?ction 95l(a)(l)(A)".
6. (4) Section 964(b) is amended by striking ", 13 955,".
7. (5) Seetion 970 IS amended by striking· sub-
8. section (b).
9. (6) The table of sections for subpart F of part
10. III of subchapter N of chapter 1 is amended by
11. striking the item relating to section 955.
12. (e) Eu,1,,EcrrIYE D..cVrE.-The amendments made by
13. this section shall apply to taxable years of foreign corpora-
14. tions beginning after December 31, 2017, and to taxable
15. years of United States shareholders in which or with which
16. such taxable years of foreign corporations end.

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1. **SEC. 14214. MODIFICATION OF STOCK ATTRIBUTION RULES**
2. **FOR DETERMINING STATUS AS A CON-**
3. **TROLLED FOREIGN CORPORATION.**
4. (a) IN GEXERAL.-Section 958(b) is amended-
5. (1) by striking paragraph (4), and
6. (2) by striking "Paragraphs (1) and (4)" in the
7. last sentence and inserting "Paragraph (1 )".
8. (b) EFFECTIVE DATE.-The amendments made by
9. this section shall apply to-
10. (1) the last taxable yPar of foreign corporations
11. beginning before January 1, 2018, and each subse-
12. quent taxable year of such foreign corporations, and
13. (2) taxable years of UnitPd States shareholders
14. in which or with which such taxable years of foreign
15. corporations end.
16. **SEC. 14215. MODIFICATION OF DEFINITION OF UNITED**
17. **STATES SHAREHOLDER.**
18. (a) Ix GE ERAL.-Section 951(b) is amended by in-
19. serting ", or 10 percent or more of the total value of
20. shares of all classes of stock of such foreign corporation"
21. after "such foreign corporation".
22. (b) EF:B1 ECTIVE DATE.-The amendment made by
23. this section shall apply to taxable years of foreign eorpora-
24. tions beginning after December :n, 2017, and to taxable
25. years of United States shareholders with or within which
26. such taxable years of foreign corporations end.

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1. **SEC. 14216. ELIMINATION OF REQUIREMENT THAT COR-**
2. **PORATION MUST BE CONTROLLED FOR 30**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 3 | **DAYS** | **BEFORE** | **SUBPART** | **F** | **INCLUSIONS** |
| 4 | **APPLY.** |  |  |  |  |

1. (a) IN GENERAh-Section 95l(a)(l) is amended by
2. striking "for an uninterrupted period of 30 days or more"
3. and. msert,'mg " at any t,'m1e" .
4. (b) EFFECTf\"'E DATE.-The amendment made by
5. this section shall apply to taxable years of foreign corpora- l 0 tions beginning after December 31, 2017, and to taxable
6. years of United States shareholders with or within which
7. smch taxable years of foreign corporations end.
8. **SEC. 14217. LOOK-THRO RULE FOR RELATED CONTROLLED**
9. **FOREIGN CORPORATIONS MADE PERMA-**
10. NENT.
11. (a) IN GENERAL.-Paragraph (6) of section 954(c)
12. is amended by striking subparagraph (C).
13. (b) EFFECTffE DATE.-The amendments made by
14. this section shall apply to taxable years of foreign corpora-
15. tions beginning after Dccemher :n, 2017, and to taxable
16. years of United States shareholders in which or with which
17. such taxable years of foreign corporations end.

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1. **SEC. 14218. CORPORATIONS ELIGIBLE FOR DEDUCTION**
2. **FOR DIVIDENDS FROM CONTROLLED FOR-**
3. **EIGN CORPORATIONS EXEMPT FROM SUB-**
4. **PART F INCLUSION FOR INVESTMENT IN**
5. **UNITED STATES PROPERTY.**
6. (a) IN GEXERAL.-Section 956(a) is amended by in-
7. serting "(other than a corporation)" after "United States
8. shareholder" in the matter preeeding; parag-raph (1).
9. (b) EFFECTIYE DATE.-The amendment made by
10. this section shall apply to taxable ytiars of controlled for-
11. eign corporations ending after December 31, 2017, and
12. to taxahle years of United States shareholders with or
13. within whieh sueh taxable years of eontrolled foreig·n eor-
14. porations end.

## CHAPTER 3-PREVENTION OF BASE

1. **EROSION**
2. **SEC. 14221. DENIAL OF DEDUCTION FOR INTEREST EX-**
3. **PENSE OF UNITED STATES SHAREHOLDERS**
4. **WHICH ARE MEMBERS OF WORLDWIDE AF-**
5. **FILIATED GROUPS WITH EXCESS DOMESTIC**
6. **INDEBTEDNESS.**
7. (a) IN GENERAL.-Section 163 is amended by redes-
8. ig11ating· subseetion (n) as subseetion (o) and by inserting·
9. after subsection (m) the following new subsection:
10. "(n) DISALLOWA..i\'"CE OF DEDUCTION FOR INTEREST
11. EXPENSE OF UNITED STATES SHAREHOLDERS WHICH

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1. ARE MEMBERS OF WORLDWIDE AFF,ILIATED GROUPS
2. WITH EXCESS DOMESTIC INDEBTED ESS.-
3. " (1) IN GE ERAL.-ln the case of any domestic
4. eorporation whieh is a member of a worldwide affili-
5. ated group, the deduction allowed under this chapter
6. for interest paid or accrued hy such domestic cor-
7. poration during the taxable year shall be redueed by
8. the product of-
9. "(A) t,he

net., mt,erest, expense of

suel1

do-

1. mestic corporation, multiplied by
2. "(B) the deht-to-equity differential pcr-
3. eentag-e of sueh worldwide affiliated g-roup.
4. "(2) CARRYFORWARD.-Any amount disallowed
5. under paragraph (1) for any taxable year shall be
6. treated as interest paid or accrued in the succeeding
7. taxable year.
8. "(3) DEBT-TO-EQUITY DIFFEREXTIAL PER-
9. CEXTAGE.-
10. "(A) IN GEXERAL.-For purposes of this
11. subsection, the term 'debt-to-equity differential
12. percentage' means, with respect to any world-
13. wide affiliated group, the percentage whi( h the
14. excess domestic indebtedness of such group
15. bears to the total indebtedness of the domestie
16. corporations which are members of such group.

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* 1. "(B) EXCESS DOMESTIC INDEBTED-
  2. NESS.-For purposes of subparag-raph (A), the
  3. term 'excess domestic indebtedness' means, with
  4. respect to any worldv{ide affiliated group, the
  5. excess (if any) of-
  6. '' (i) the total indebtedness of the do­
  7. mestic corporations which are members of
  8. such group, oYer
  9. "(ii) 110 percent of the amount which
  10. the total indebtedness of such domestic
  11. corporations would he if the ratio of such
  12. indebtedness to the total equity of such do­
  13. mestic corporations equaled the ratio
  14. whieh-
  15. "(I) the total indebtedness of
  16. such group, hears to
  17. "(II) the total equity of such
  18. group.
  19. "(C) TOTAL QlTl'Y.-For purposes of
  20. subparagraph (B), the term 'total equity'
  21. means, with respect to one or more corpora­
  22. tions, an amount equal to-
  23. " (i) the sum of the money and all
  24. other assets of such corporations, reduced
  25. (but not below one) by

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1. corporations.
2. "(D) SPECIAL RFLES FOR DETERMINING
3. **DEBT AND EQlTrY.-**
4. "(i) IN GENERAL.- -,or purposes of
5. this paragraph-
6. "(I) the amount taken into ac­
7. count with respect to any asset shall
8. be the adjusted basis thereof for pur­
9. poses of determining gain,
10. "(II) the amount taken into ac­
11. count with respeet to any indebted­
12. ness with original issue discount shall
13. be its issue price plus the portion of
14. the original issue discount previously
15. accrued as determined under the rules
16. of section 1272 (determined without
17. regard to subsection (a)(7) or (b)(4)
18. thereof), and
19. "(Ill) there shall be such other
20. adjustments as the Secretary shall hy
21. regulations prescribe.
22. "(ii) INTRAGROrP DEBT A. D EQUITY
23. INTERESTS DISREGARDED.-For purposes
24. of this paragraph, the total indebtedness,

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1. and the assets, of any group of corpora­
2. tions shall be determined by treating all
3. members of such group as one corporation.
4. "(iii) DETEH IIXA'rIOX OP ASSE'rS 01•1
5. DOMESTIC GRUC"P.-For purposes of this
6. paragraph, the assets of the domestic cor­
7. porations which are members of any world­
8. wide affiliated group shall be determined
9. by disregarding any interest held by any
10. such domestic corporation in any foreign
11. corporation which is a memher of such
12. group.
13. "(E) PHASE IN OF PERCENTAGE FSED IN
14. DE'rEHl\IINING EXCESS INDEB'rEDNESS.-In the
15. case of any taxable year beginning in a calendar
16. year hefore 2022, the following percentages
17. shall be substituted for '110 percent' in apply­
18. ing subparagraph (B)(ii):

**"In the case of a taxable year begin­ ning in:**

2018 ..................................................................

2019 ··································································

2020 ··································································

2021 ··································································

**The percentage is:**

130

123

120

115

1. " (4) OTHER DEFINITIOXS.-For purposes of
2. this subsection-
3. "(A) WORLDWIDE AFFILIATED GROFP.-
4. The term 'worldwide affiliated group' means a

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1. group consisting of the iucludihle memhers of
2. an affiliated group, as defined in seetion
3. 1504(a), determined-
4. "(i) by substituting 'more than 50
5. percent' for 'at least 80 percent' each place
6. it appears in such section, and
7. "(ii) without regard to paragraphs

8 (2), (3), and (4) of section 1504(b).

9 "(B) NET INTEHEST EXPENSE.-The term

1. 'net interest expense' means the excess (if any)
2. of
3. "(i) the interest paid or accrued by
4. the taxpayer during the taxable year, over
5. "(ii) the) amount of interest ineludible
6. m the gross income of such taxpayer for
7. such taxahle year.
8. The Secretary shall by reg11lations provi<lP for
9. acljustments in determining the amount of net
10. interest expense if necessary.
11. "(5) TREAT:\1ENT OF AFFILIATED GROCP.-For
12. purposes of this suhsection, all mernhers of the same
13. affiliated group (within the meaning of section
14. 1504(a) applied by substituting 'more than 50 per-
15. cent' for 'at least 80 percent' each place it appears)
16. shall be treated as one taxpayer.

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* 1. "(6) REGULATIONS.-The Secretary shall pre-
  2. scribe such reg11lations or other guidance as may be
  3. appropriate to carry out the purposes of this sub-
  4. section, including regulations or other guidancc-
  5. '' (A) to prevent the avoidance of the pur-
  6. poses of this subsection,
  7. **"(B)** providing- such adjustments in the
  8. case of corporations which are members of an
  9. affiliated group as may be appropriate to carry
  10. out the purposes of this subsection,
  11. " (C) providing for the coordination of this
  12. subsection with section 884,
  13. "(D) prmiding for the reallocation of
  14. shares of partnership indebtedness, or distribu-
  15. tive shares of the partnership's interest income
  16. or interest expense, and
  17. "(E) providing for the coordination with
  18. the limitation under subsection (j).".
  19. (b) E F F1 EC'l'IVE DA'l'E.-The amendments made by
  20. this section shall apply to taxable years beginning after

21 December :n, 2017.

1. **SEC. 14222. LIMITATIONS ON INCOME smFTING THROUGH**
2. **INTANGIBLE PROPERTY TRANSFERS.**
3. (a) DEFINITION OF INTANGIBLE ASSET.-Section
4. 986(h)(8)(B) is amended-

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* 1. (1) hy striking "or" at the end of clause (v),
  2. (2) by striking elanse (vi) and inserting the fol-
  3. lowing:
  4. "(vi) any goodwill, gomg eom ern
  5. value, or workforce in place (including its
  6. composition and terms and conditions
  7. (eontraetual or otherwise) of its employ-
  8. ment); or
  9. '' (vii) any other item the value or po-

**l O** tential value of which is not attributable to

1. tangihle property or the services of any in-
2. dividual.", and
3. (3) by striking the flush language after clause
4. (Yii), as added by parag-raph (2).
5. (b) CLARIFICATIO OF ALLOWABLE VALrATION
6. METHODS.-
7. (1) FOREIGN CORPORATIONS.-Section
8. 367(d)(2) is amended by adding at the end the fol-
9. lowing new subparagraph:
10. "(D) REGFLATORY AUTHORITY.-For pur-
11. poses of the last sentence of suhparagraph (A),
12. the Seeretary shall requirP-
13. "(i) the valuation of transfers of in-
14. tangible property, ineluding intangible

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1. property transferred with other property or
2. services, on an ag·gTeg·ate basis, or
3. "(ii) the valuation of such a transfer
4. on the basis of the realistic alternatives to
5. such a transfer,
6. if the Secretary determines that such hasis is
7. the most reliable means of valuation of such
8. transfers.".
9. (2) ALI OCA'l'IOX WONG 'l'AXPAYEHS.-Section
10. 482 is amended by adding at the end the following:
11. "For purposes of this section, the Secretary shall re-
12. quire the valuation of transfers of intangible prop-
13. erty (including intangible property transferred with
14. other property or services) on an aggregate basis or
15. the valuation of such a transfer on the basis of the
16. realistic alternatives to such a transfer, if the Sec-
17. retary determines that such basis is the most reli-
18. able means of valuation of such transfers.".
19. (e) EFFECTIVE DA'l'K-
20. (1) IN GENERAL.-The amendments made by
21. this section shall apply to transfers in taxable years
22. beginning after December 31, 2017.
23. (2) No INFERENCE.-Nothing m the amend-
24. ment made by subsection (a) shall be construed to
25. create any inference with respect to the application

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1. of section 9:36(h)(3) of the Internal Renmue Code of
2. 1986, or the authority of the Secretary of the Treas-
3. ury to proYide regulations for such application, with
4. respect to taxable years beginning lwfore January 1, 5 2018.
5. **SEC. 14223. CERTAIN RELATED PARTY AMOUNTS PAID OR**
6. **ACCRUED IN HYBRID TRANSACTIONS OR**
7. **WITH HYBRID ENTITIES.**
8. (a) Ix GEXEHAL.-Part IX of subchaptcr B of chap- IO ter 1 is amended by inserting after section 267 the fol­ l I lowing:
9. **"SEC. 267A. CERTAIN RELATED PARTY AMOUNTS PAID OR**
10. **ACCRUED IN HYBRID TRANSACTIONS OR**
11. **WITH HYBRID ENTITIES.**
12. "(a) I GEXERAL.-No deduction shall be allowed
13. under this chapter for any disqualified related party
14. amount paid or accrued pursuant to a hybrid transaction
15. or by, or to, a hybrid entity.
16. "(b) DISQUALIPIED REl,ATED PAl{'rY A\IOUXT.-For
17. purposes of this section-
18. **"(1)** DISQUALIFIED RELATED PARTY
19. A.'10VNT.-The term 'disqualified related party
20. amount' means any interest or royalty paid or ac-
21. erucd to a related party to the extent that-

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* 1. **"(A)** such amount 1s not included in the
  2. income of such related party under the tax law
  3. of the country of which such related party is a
  4. resident for tax purposes or is subject to tax,
  5. or
  6. "(B) such related party is allowed a deduc-
  7. tion with respect to such amount under the tax
  8. law of such country.
  9. Sueh term shall not include any payment to the ex-
  10. tent such payment is included in the gross income
  11. of a United States shareholder under section 951(a).
  12. "(2) RELATED PARTY.-The term 'related
  13. party' means a related person as defined in section
  14. 954(d)(3), except that sueh section shall be applied
  15. with respect to the person making the payment de-
  16. scrihcd in paragraph (1) in lieu of the controlled for-
  17. eig·n corporation otherwise referred to in sueh sec-
  18. tion.
  19. "(c) IlYBHID THA SAcrrrox.- -,or purposes of this
  20. section, the term 'hybrid transaction' means any trans-
  21. action, series of transactions, agreement, or instrument
  22. one or more payments with respect to which are treated
  23. as interest or royalties for purposes of this chapter and
  24. whieh arc not so treated for purposes the tax law of the

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1. foreign country of which the recipient of such payment
2. is resident for tax purposes or is subjn t to tax.
3. "(d) HYBRID ENTITY.-For purposes of this section,
4. the term 'hybrid entity' means any entity whieh is either-
5. **"(l)** treated as fiscally transparent for purposes
6. of this chapter hut not so treated for purposes of the
7. tax law of the foreig;n country of which the entity is
8. resident for tax purposes or is subject to tax, or
9. "(2) treated as fiscally transparent for purposes
10. of such tax law but not so treated for purposes of
11. this chapter.
12. "(e) REGULATIONS.-The Secretary shall issue such
13. regulations or other guidance as may be necessary or ap-
14. propriate to carry out the purposes of this seetion, inelud-
15. ing regulations or other guidance providing for-
16. "(1) rules for treating certain conduit arrange-
17. ments which inYolve a hybrid transaction or a hybrid
18. entity as subject to subsection (a),
19. "(2) rules for the applieation of this section to
20. foreign branches,
21. " (3) rules for treating certain structured trans-
22. aetions as subject to subsection (a),
23. " (4) rules for treating a tax preference as an
24. exelusion from ineome for purposes of applying sub-
25. section (b) (1) if such tax preference has the effect

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1. of reducing the generally applicahle statutory rate hy
2. 25 percent or more,
3. " (5) rules for treating the entire amount of in-
4. terest or royalty paid or acerued to a related party
5. as a disqualified related party amount if such
6. amount is suhject to a participation exemption sys-
7. tern or other system which proYides for the exclusion
8. or deduction of a substantial portion of such
9. amount,
10. '' (6) rules for determining the tax residence of
11. a foreign entity if the entity is otherwise considered
12. a resident of more than one country or of no coun-
13. try,
14. "(7) exeeptions from subsection (a) with respect
15. to-
16. "(A) cases in which the disqualified related
17. party amount is taxed under the laws of a for-
18. eign country other than the country of which
19. the related party is a resident for tax purposes,
20. and
21. '' ( B) other cases which the Secretary de-
22. termines do not present a risk of eroding the
23. Federal tax hase,

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1. '' (8) requirements for record keeping and infor-
2. mation reporting in addition to any requirements
3. imposed by section 6038A.".
4. (b) COXPOHMING A\_\1ENDMEN'r.-The table of see-
5. tions for part IX of subchapter B of chapter 1 is amended
6. hy inserting after the item relating to section 267 the fol-
7. lowing new item:

"Sec. 267A. Certain related party amounts paid or accmed in hybrid trans­ actions or with h ·brid entities.".

1. (c) EFFECTIYE DATE.-The amendments made by
2. this section shall apply to taxable years beginning after

10 December :31, 2017.

11 **SEC. 14224. SHAREHOLDERS OF SURROGATE FOREIGN COR­**

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**PORATIONS NOT ELIGIBLE FOR REDUCED RATE ON DIVIDENDS.**

1. IN GENERAL.-Section l(h)(ll)(C)(iii) is amend-
   1. by striking "shall not include any foreign corporation" and inserting "shall not include-

"(I) any foreign eorporation",

* 1. by striking the period at the end and insert- ing '', and'', and
  2. by adding at the end the following new sub­ clause:

"(II) any corporation which is a surrogate foreign corporation (as de-

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| --- | --- | --- |
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| 1 |  | 437  fined in section 7874(a)(2)(B)) other |
| 2 |  | than a foreign corporation which is |
| 3 |  | treated as a domestic corporation |

1. under section 7874(b).".
2. (b) EFFECTIVE DATE.-The amendments made by
3. this section shall apply to dividends paid in taxable years
4. beg·inning· after December 31, 2017.
5. **Subpart C-Modifications Related to Foreign Tax**
6. **Credit System**
7. **SEC. 14301. REPEAL OF SECTION 902 INDIRECT FOREIGN**
8. **TAX CREDITS; DETERMINATION OF SECTION**
9. **960 CREDIT ON CURRENT YEAR BASIS.**
10. (a) REPEAL OF SECTIOX 902 INDIRECT FOREIGN
11. T A..X C1murrs.-Subpart A of part III of subchaptcr N
12. of chapter 1 is amended by striking section 902.
13. (h) DETERMINATION OF SECTION fl60 CREDIT ON
14. CURRENT YEAR BASIS.-Section 960, as amended by sec-
15. tion 14201, is amended-
16. (1) by striking subsection (c), by rcdcsignating
17. subsection (b) as subsection (c), by striking all that
18. precedes suhsection (c) (as so redesignated) and in-
19. serting· the following:

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* 1. **"SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLU-**
  2. **SIONS.**
  3. "(a) Ix GENERAL.-Por purposes of this subpart, if
  4. there is included in the gross income of a domestic cor-
  5. poration any item of income under section 951(a)(1) with
  6. respect to any controlled foreign corporation ·with respect
  7. to which such domestic corporation is a United States
  8. shareholder, such domestic corporation shall be deemed to
  9. have paid so much of such foreign corporation's foreign
  10. income taxes as arc properly attributable to such item of
  11. mcome.
  12. "(h) SPECIAL RULES FOR DISTRIBUTIONS PROM
  13. PREYIOeSLY TAXED EARNINGS AXD PROFITS.-Por pur-
  14. poses of this subpart-
  15. " (1) IN GENERAL.-If any portion of a dis-
  16. tribution from a controlled foreign corporation to a
  17. domestic corporation which is a United States share-
  18. holder ,vith respect to such controlled foreign cor-
  19. poration is excluded from gross income under section
  20. 959(a), such domestic corporation shall be deemed
  21. to have paid so much of such foreign corporation's
  22. foreign income taxes as-
  23. "(A) are properly attributable to such por-
  24. tion, and
  25. '' (B) have not been deemed to haw to been
  26. paid by such domestic corporation under this

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1. section for the taxable year or any prior taxable
2. year.
3. **"(2) TIERED CONTROLLED FOREIGN CORPORA-**
4. rrIONS.-If seetion 959(b) applies to any portion of
5. a distribution from a controlled foreign corporation
6. to another controlled foreign corporation, such con-
7. trolled foreign eorporation shall be deemed to have
8. paid so much of such other controlled foreign cor-
9. poration's foreign income taxes as-
10. **"(A)** are properly attributable to such por-
11. tion, and
12. " ( B) have not been deemed to have been
13. paid by a domestic corporation under this sec-
14. tion for any prior taxable year.",
15. (2) and by adding after subsection (d) (as
16. added hy section 14201) the following new suh-
17. sections:
18. "(e) FOREIGN lXCOME TAXES.-The term 'foreign
19. income taxes' means any income, war profits, or excess
20. profits taxes paid or accrued to any foreign country or
21. possession of the United States.
22. "(f) REGULATIONS.-The Secretary shall prescribe
23. such regulations or other guidance as may be necessary
24. or appropriate to carry out the prmi.sions of this section.".
25. (c) CONFORMING k\rnNDMENTS.-

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* 1. (1) Section 78 is amended to read as follows:
  2. **"SEC. 78. GROSS UP FOR DEEMED PAID FOREIGN TAX**
  3. **CREDIT.**
  4. "If a domestic eorporation ehooses to have the bene-
  5. fits of subpart A of part III of subchapter N (relating
  6. to foreign tax credit) for any taxable year-
  7. " (**1)** an amount equal to the taxes deemed to
  8. be paid by such corporation under subsections (a)
  9. and (b) of seetion 960 for such taxable year shall be
  10. treated for purposes of this title (other than section
  11. 960) as an item of income required to he included
  12. in the gross ineome of sueh domestic corporation
  13. under section 951(a), and
  14. "(2) an amount equal to the aggregate tested
  15. foreign income taxes deemed paid by such corpora-
  16. tion under section 960(d) (determined without re-
  17. gard to the phrase '80 percent of' in paragraph (1)
  18. thereof) shall be treated for purposes of this title
  19. (other than seetion 960) as an addition to the global
  20. intangible low-taxed income of such domestic cor-
  21. poration under section 951A(a) for such taxable
  22. year.".
  23. (2) Paragraph (4) of section 245(a) is amended
  24. to read as follows:

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* + 1. "(4) POST-1986 UNDISTRIBUTED EARNINGS.-
    2. The term 'post-1986 undistributed earnings' means
    3. the amount of the earnings and profits of the for-
    4. cign eorporation (eomputcd in aeeordanec with sce-
    5. tions 964(a) and 986) accumulated in taxable years
    6. beginning after December 81, 1986-
    7. **"(A)** as of the dose of the taxable year of
    8. the foreign corporation in which the dividend is
    9. distributed, and
    10. "(B) without diminution by reason of divi-
    11. dcnds distributed during such taxable year.".
    12. (8) Section 245(a)(l0)(C) is amended by strik-
    13. mg "902, 907, and 960" and inserting "907 and 14 960".

1. (4) Sections 585(b)(l) and 545(b)(l) are each
2. amended by striking "section 902(a) or 960(a)(l)"
3. and inserting "section 960".
4. (5) Section 814(f)(l) is amended-
5. (A) by striking· subparagraph (B), and
6. (B) by striking all that precedes "No m-
7. come" and inserting the following:
8. "(l) TREATMENT OF FOREIGN TAXES.-".
9. (6) Section 865(h)(l)(B) is amended by strik- 24 ing "902, 907," and inserting "907".

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1. (7) Section 90l(a) is amended hy striking "sec-
2. tions 902 and 960" and inserting· "sel tion 960".
3. (8) Section 90l(e)(2) is amended by striking
4. "but is not limited to-" and all that follows
5. through "that portion" and inserting "but is not
6. limited to that portion''.
7. (9) Seetion 90l(f) is amended by striking "see­
8. tions 902 and 960" and inserting "section 960".
9. (10) Seetion 90l(j)(l)(A) is amended by strik- 10 ing "902 or".
10. (11) Section 90l(j)(l)(B) is amended hy strik­
11. mg "sections 902 and 960" and inserting "section 13 960".

14 (12) Seetion 90l(k)(2) IS amended by striking·

15 " 902 "

' < ' •

16 (18) Section 90l(k)(6) IS amended hy striking 17 "902 or".

1. (14) Section 901(m)(l) is amended by striking
2. "relevant foreign assets-" and all that follows and
3. inserting ''releYant foreign assets shall not be taken
4. into account in determining the credit allowed under
5. subsection (a).".
6. (Hi) Section 904(d)(6)(A) is amended hy strik­

24 ing· "902, 907," and inserting "907".

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1. (16) Section 904(h)(l0)(A) 1s amended hy
2. striking· "sections 902, 907, and 960" and inserting
3. "sections 907 and 960".
4. (17) Section 904(k) is amended to read as fol-
5. lows:
6. "(k) CROSS REFERENCES.-For increase of lirnita-
7. tion under subsection (a) for taxes paid with respect to
8. amounts receiYed which were included in the gross income
9. of the taxpayer for a prior taxable year as a United States
10. shareholder with respect to a controlled foreign corpora-
11. tion, sec section 960(c).".
12. (18) Section 905(c)(l) 1s amended by striking
13. the last sentence.
14. (19) Section 905(c)(2)(B)(i) is amended to read
15. as follows:
16. "(i) shall he taken into account for
17. the taxable year to which such taxes relate,
18. and".
19. (20) Section 906(a) is amended by striking "(or
20. deemed, under section 902, paid or accrued during
21. the taxable year)''.
22. (21) Section 906(b) 1s amended by striking
23. paragraphs (4) and (5).
24. (22) Section 907(b)(2)(B) is amended by strik- 25 ing "902 or".

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1. (2:3) Section 907(c)(:3) is amended-
2. (A) by striking; subparagraph (A) and re-
3. designating suhparagraphs (B) and (C) as sub-
4. paragraphs (A) and (B), respeetivcly, and
5. (B) by striking "section 960(a)" in sub-
6. paragraph (A) (as so rcdcsignated) and inscrt-
7. ing· "section 960".
8. (24) Section 907(c)(5) 1s amended by striking

9 "902 or".

1. (25) Section 907(f)(2)(B)(i) 1s amended by
2. striking "902 or".
3. (26) Section 908(a) 1s amended by striking 13 "902 or".
4. (27) Seetion 909(b) is amended-
5. (A) by striking "section 902 corporation"
6. in the matter preceding paragraph (1) and in-
7. serting "specified 10-percent owned foreign cor-
8. poration (as defined in section 245A(b)) ",
9. (B) by striking· "902 or" in paragTaph (1),
10. (C) by striking "by such section 902 cor-
11. poration" and all that follows in the matter fol-
12. lowing paragraph (2) and inserting "by such
13. specified 10-percent owned foreign corporation
14. or a domestie eorporation whieh is a United
15. States shareholder with respect to such speci-

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1. fied 10-percent nwned foreign corporation.",
2. and
3. (D) by striking "SECTIOX 902 CORPORA-
4. noxs" in the heading thereof and inserting
5. "SPECIFIED 10-PERCENT OWNED FOREIGN
6. CORPORATIONS".
7. (28) Section 909(d) 1s amended by striking
8. paragraph (5).
9. (29) Section 958(a)(l) is amended by striking

10 "960(a)(l)" and inserting "960".

1. (30) Section 959(d) is amended hy striking
2. "Except as provided in section 960(a)(3), any" and
3. inserting "Any".
4. (31) Section 959(e) is amended by striking
5. "section 960(b)" and inserting "section 960(c)".
6. (32) Section 129l(g)(2)(A) is amended hy
7. striking "any distribution-" and all that follows
8. through "but only if'' and inserting "any distribu-
9. tion, any ·withholding tax imposed with respect to
10. such distribution, but only if".
11. (33) Section 6038(c)(l)(B) 1s amended hy
12. striking "sections 902 (relating to foreign tax credit
13. for corporate stockholder in foreign corporation) and
14. 960 (relating· to special rules for foreign tax credit)"
15. and inserting "section 960".

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* 1. (34) Section 60:38(c)(4) is amended hy striking
  2. subparagTaph (C).
  3. (35) The table of sections for subpart A of part
  4. III of subchapter N of chapter 1 is amended by
  5. striking the item relating to section 902.
  6. (;36) The table of sections for subpart F of part
  7. III of subchapter N of chapter **1** is amended by
  8. striking the item relating to section 960 and insert-
  9. ing the following:

"Sec. 960. Deemed paid credit for subpart F inclusions.".

* 1. (d) EFFECTIVE DATE.-The amendments made by
  2. this section shall apply to taxable years of foreign corpora-
  3. tions beg·inning· after December 31, 2017, and to taxable
  4. years of United States shareholders in which or with which
  5. such taxable years of foreign corporations end.
  6. **SEC. 14302. SEPARATE FOREIGN TAX CREDIT LIMITATION**
  7. **BASKET FOR FOREIGN BRANCH INCOME.**
  8. (a) IN GENERAL.-Section 904(d)(l), as amended by
  9. section 14201, is amended by redesignating subpara-
  10. graphs (B) and (C) as suhparagraphs (C) and (D), respec-
  11. tiYely, and by inserting after subparagraph (A) the fol-
  12. lowing new mbparagraph:
  13. "(B) foreign branch income,".
  14. (b) :B-,OREIGN BRAi'\TCH INCOME.-

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* + 1. (1) IN GENERAL.-Section 904(d)(2) is amend-
    2. ed by inserting after subparagraph (I) the following
    3. new subparagraph:
    4. "( J) I -,OHEIGN BHA .". 'CII INCOME.-
    5. "(i) IN GENERAL.-The term 'foreign
    6. hranch income' means the husiness profits
    7. of such United States person which are at-
    8. tributable to 1 or more qualified business
    9. units (as defined in section 989(a)) in 1 or
    10. more foreign countries. For purposes of
    11. the preceding sentence, the amount of
    12. business profits attributable to a qualified
    13. business unit shall be determined under
    14. rules established by the Secretary.
    15. "(ii) EXCEPTION.-Such term shall
    16. not include any income which is passive
    17. categ-ory income.".
    18. (2) CONFORMING AMENDMENT.-Section
    19. 904(d)(2)(A)(ii), as amended by section 14201, is
    20. amended by striking ''income described in paragraph
    21. (1 )(A) and" and inserting "income descrihed m
    22. paragTaph (1 )(A), foreign branch im ome, and".
    23. (c) E .,FECTIYE DATE.-The amendments made by
    24. this section shall apply to taxable years beginning after

25 December al, 2017.

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1. **SEC. 14303. ACCELERATION OF ELECTION TO ALLOCATE IN-**
2. **TEREST, ETC., ON A WORLDWIDE BASIS.**
3. (a) Ix GENERAL.-Section 864(f)(6) is amended by
4. striking "December :n, 2020" and inserting "December 5 :n, 2017".
5. (b) EFFECTIVE DATE.-The amendments made by
6. this section shall apply to taxable years beginning after 8 Deeember 31, 2017.

9 **SEC. 14304. SOURCE OF INCOME FROM SALES OF INVEN-**

1. **TORY DETERMINED SOLELY ON BASIS OF**
2. **PRODUCTION ACTIVITIES.**
3. (a) IN GENERAL.-Section 863(b) 1s amended by
4. adding· at the end the following·: "Gains, profits, and in-
5. come from the sale or exchange of inYentory property de-
6. scribed in paragraph (2) shall be allocated and appor-
7. tioned between sources ·within and ·without the United
8. States solely on the hasis of the production activities with
9. respeet to the property.".
10. (b) EFFECTf\"E DATE.-The amendment made by
11. this section shall apply to taxable years beginning after

21 December 31, 2017.

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1. **SEC. 14305. ELECTION TO INCREASE PERCENTAGE OF DO-**
2. **MESTIC TAXABLE INCOME OFFSET BY OVER-**
3. **ALL DOMESTIC LOSS TREATED AS FOREIGN**
4. **SOURCE.**
5. (a) IN GENERAL.-Section 904(g) is amended by
6. adding at the end the following new paragraph:
7. "(fi) ELECTION TO INCREASE PERCENTAGE OF
8. TAXABLE INCOME TREATED AS FOREIGN SOURCE.-
9. "(A) IN GENERAL.-If any pre-2018 un-
10. used overall domestic loss is taken into account
11. under paragraph (1) for any applicable taxable
12. year, the taxpayer may elect to have such para-
13. graph applied to sueh loss by substituting; a
14. percentage greater than 50 percent (but not
15. greater than 100 percent) for 50 percent in
16. subparagraph (B) thereof.
17. "(B) PRE-2018 r TSED OVERALL DOMES-
18. TIC LOSS.-For purposes of this paragraph, the
19. term 'pre-2018 unused oyerall domestic loss'
20. means any overall domestic loss which-
21. "(i) arises in a qualified taxable year
22. beginning before January 1, 2018, and
23. '' (ii) has not been used under para-
24. graph (1) for any taxable year beginning
25. before such date.

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1. "(C) APPLICABLE TAXABLE YEAR.-For
2. purposes of this paragTaph, the term 'applicable
3. taxable year' means any taxable year of the tax-
4. payer beginning after December 31, 2017, and
5. before January 1, 2028.".
6. (h) EFFECTIVE DATE.-Thc amendment made hy
7. this section shall apply to taxable years beg·inning· after 8 December 31, 2017.

9 PART II-INBOUND TRANSACTIONS

1. **SEC. 14401. BASE EROSION AND ANTI-ABUSE TAX.**
2. (a) IMPOSITION OF., TAX.-Suhchapter A of chapter
3. 1 is amended by adding at the end the following new part:
4. "PART VII-BASE EROSION AND ANTI-ABUSE TAX

"See. 59A. Tax on hase erosion payments of taxpayers with substantial gToss receipts.

1. **"SEC. 59A. TAX ON BASE EROSION PAYMENTS OF TAX-**
2. **PAYERS WITH SUBSTANTIAL GROSS RE-**
3. **CEIPTS.**
4. "(a) IMPOSITION OF TAX.-There is hereby imposed
5. on each applicable taxpayer for any taxable year a tax
6. equal to the base erosion minimum tax amount for the
7. taxable year. Such tax shall be in addition to any other
8. tax imposed hy this suhtitlc.
9. "(b) BASE EROSION MINIMUM TAX Ai.'1:0UXT.-For
10. purposes of this section-

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* 1. " (1) IN GENERAL.-:BJxcept as provided in para-
  2. gTaphs (2) and (3), the term 'base erosion minimum
  3. tax amount' means, with respect to any applicable
  4. taxpayer for any taxablP year, thP excess (if any)
  5. of-
  6. **"(A)** an amount equal to 10 percent of the
  7. modified taxable income of such taxpayer for
  8. the taxable year, over
  9. "(B) an amount equal to the regular tax li-
  10. ability (as defined in section 26(b)) of the tax-
  11. payer for the taxable year, reduced (hut not
  12. below zero) by the excess (if any) of-
  13. "(i) the credits allowed under this
  14. chapter against such reg1ilar tax liability,
  15. over
  16. "(ii) the credit allowed under section
  17. 38 for the taxable year which is properly
  18. allocable to the research credit determined
  19. under section 41(a).
  20. "(2) MODIFICATIONS FOR TAXABLE YEARS BE-
  21. GINNING AFTJ. R 2025.-In the case of any taxable
  22. year beginning after December 31, 2025, paragTaph
  23. (1) shall be applied-
  24. "(A) by substituting '12.5 percent' for '10
  25. percent' in subparagraph (A) thereof, and

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* + 1. '' (B) hy reducing (hut not helow zero) the
    2. regular tax liability (as defined in seetion
    3. 26(b)) for purposes of subparagraph (B) there-
    4. of by the aggregate amount of the credits al-
    5. lowed under this chapter against such regular
    6. tax liahility rather than the excess descrihed in
    7. such subparagraph.
    8. "(3) INCREASED RATE FOR CERTAIN BAXKS
    9. A..,D SECUIU'l'IES DEALEHS.-
    10. "(A) IN GENERAL.-In the case of an ap-
    11. plicahle taxpayer descrihed in suhparagraph (B)
    12. for any taxable year-
    13. "(i) paragraphs (l)(A) and (2)(A)
    14. shall each be applied by substituting '11
    15. percent' for '10 percent', and
    16. "(ii) paragraph (2)(A) shall he applied
    17. by substituting· '13.5 percent' for '12.5
    18. percent'.
    19. "(B) TAXPAYER DESCHIBED.-An appliea-
    20. ble taxpayer is described in this subparagraph
    21. if such taxpayer is a rnemher of an affiliated
    22. gToup (as defined in seetion 1504(a)(l)) which
    23. includes-
    24. "(i) a bank (as defined m section

25 581), or

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1. "(ii) a registered securitit s dealer
2. under section 15(a) of the Securities Ex-
3. change Act of 1934.
4. "(c) MODIPIED TAXABLE IXCOME.- -,or purposes of
5. this section-
6. "(1) IN GENERAL.-The term 'modified taxable
7. income' means the taxable im ome of the taxpayer
8. computed under this chapter for the taxable year,
9. determined without regard to-
10. "(A) any base erosion tax benefit with re-
11. spect to any hase erosion payment, or
12. "(B) the base erosion percentage of any
13. net operating loss deduction allowed under sec-
14. tion 172 for the taxable year.
15. **'·(2) BASE EROSIOX TAX BEXEFIT.-**
16. "(A) IN GENERAL.-The term 'hase ero-
17. sion tax benefit' mPans-
18. "(i) any deduction described in sub-
19. section (d)(1) which is allowed under this
20. chapter for the taxable year with respect to
21. any hase erosion payment,
22. '' (ii) in the case of a basP erosion pay-
23. ment described in subsection (d)(2), any
24. deduction allowed under this chapter for
25. the taxable year for depreciation (or amor-

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1. tization in lieu of depreciation) with re-
2. spect to the property acquired with such
3. payment, and
4. '' (iii) in the ease of a base eros10n
5. payment described in subsection (d)(8),
6. any reduction in gross receipts with rc­
7. spe( t to such payment in computing gross
8. income of the taxpayer for the taxable year
9. for purposes of this ehapter.
10. "(B) TAX BENEFITS DISREGARDED IF TAX
11. WITHHELD O?\ BASE EROSIOX PAYl\IENT.-
12. "(i) IN GENERAL.-Ex( ept as pro­
13. vided in clause (ii), any base erosion tax
14. benefit attributable to any base erosion
15. payment-
16. "(I) on which tax is imposed hy
17. section 871 or 881, and
18. "(II) with respect to which tax
19. has been deducted and withhdd under
20. section 1441 or 1442,
21. shall not he taken into account m com­
22. puting modified taxable income under
23. paragraph (1) (A) or the base erosion per­
24. centage under paragraph (4).

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* 1. "(ii) EXCEPTION.-The amount not
  2. taken into aeeount in eomputing modified
  3. taxable income by reason of clause (i) shall
  4. be redueed under rules similar to the rules
  5. under section 163 (j) (5)**(B)** (as in effect be-
  6. fore the date of the enactment of the Tax
  7. Cnts and Jobs Act).
  8. "(3) **SPECIAL RrLES F,,OR DETERMINTNG INTER-**
  9. EST 1 '101{ WIIICII DEDUCTION ALLOWED.- --,or pur-

l O poses of applying paragraph (1), in the case of a

1. taxpayer to which subsection (j) or (n) of section
2. 163 applies for the taxable year, the rednetion in the
3. amount of interest for which a deduction is allowed
4. by reason of sueh subseetion shall be treated as allo-
5. cable first to interest paid or accrued to persons who
6. arc not related parties ,vith respect to the taxpayer
7. and then to sueh related parties.
8. "(4) BASE EROSION PERCENTAGE.- --,or pur-
9. poses of paragraph (1)(B)-
10. "(A) IN GENERAL.-The term 'base ero-
11. sion percentage' means, for any taxable year,
12. the pereentage determined by dividing--
13. "(i) the aggregate amount of base
14. erosion tax benefits of the taxpayer for the
15. taxable year, by

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* 1. "(ii) the aggregate amount of the de-
  2. duetions allowable to the taxpayer under
  3. this chapter for the taxable year.
  4. "(B) SPECIAL HULES.-The amount under
  5. subparagraph (A)(ii) shall be determined-
  6. "(i) by taking into account base ero-
  7. sion tax benefits deseribed in clauses (i)
  8. and (ii) of paragraph (2)(A), and
  9. · "(ii) by not taking into aeeount any
  10. deduction allowed under section 172,
  11. 245A, or 250 for the taxable year.
  12. "(d) BASE EROSION PAYMENT.- ..,or purposes of
  13. this section-
  14. "(1) IN GEXI HAL.-The term 'base eros10n
  15. payment' means any amount paid or accrued by the
  16. taxpayer to a foreign person which is a related party
  17. of the taxpayer and with respect to whieh a deduc-
  18. tion is allowable under this chapter.
  19. "(2) PUHCIIASE OP DEPHECIAlll,E PHOPEH'l'Y.-
  20. Such term shall also include any amount paid or ac-
  21. crued hy the taxpayer to a foreign person which is
  22. a related party of the taxpayer in ( ormeetion with
  23. the acquisition by the taxpayer from such person of
  24. property of a eharaetcr subjeet to the allowanec of
  25. depreciation (or amortization in lieu of depreciation).

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* + 1. "(8) CERTAIX PAYMEXTS TO EXPATRIATED EN-
    2. TITIES.-
    3. "(A) Ix GENERAL.-Such term shall also
    4. ineludc any amount paid or aeerucd by the tax-
    5. payer with respect to a person described in sub-
    6. paragraph (B) which results in a reduction of
    7. the gToss reeeipts of thP taxpayPr.
    8. "(B) PERSON DESCRIBED.-A person 1s
    9. deseribed in this subparagraph if sueh person is
    10. a-

ll "(i) surrogate foreign corporation

1. which is a related party of the taxpayer,
2. but only if such person first became a sur-
3. rogatc foreign corporation after Novembcr

15 9, 2017, or

1. "(ii) foreign person which is a mem-
2. Ler of the same expanded affiliated group
3. as the surrogate foreign corporation.
4. "(C) DEF'I ITIONS.-For purposes of this
5. paragraph-
6. "(i) SURROGATE FOREIG CORPORA-
7. TION.-The term 'surrogate foreign eor-
8. poration' has the meaning given such term
9. by sPetion 7874(a)(2) but does not include

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1. a foreign corporation treated as a domestic
2. corporation under section 7874(b).
3. "(ii) EXPA. DED AFFILIATED
4. GROUP.-Thc term 'expanded affiliated
5. group' has the meaning giYen such term by
6. section 7874(c)(l).
7. "(4) EXCEPTION FOR CERTAIN AMOUNTS ·w1TH
8. RESPECT TO SERVICES.-Paragraph (1) shall not
9. apply to any amount paid or accrued by a taxpayer
10. for services if-
11. "(A) such services are services which meet
12. the requirements for eligibility for use of the
13. services cost method under section 482 (deter-
14. mined without regard to the requirement that
15. the services not contribute significantly to fun-
16. damental risks of husiness success or failure),
17. and
18. "(B) such amount constitutes the total
19. services cost with no markup.
20. "(e) APPLICABLE TAXPAYER.-:B--,or purposes of this
21. section-
22. "(l) IN GENERAL.-The term 'applicable tax-
23. payer' means, with respect to any taxable year, a
24. taxpayer-

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* 1. **"(A)** which is a corporation other than a
  2. regulated inYPstment company, a real estate in­
  3. vestment trust, or an S corporation,
  4. **"(B)** the average annual gross rPccipts of
  5. which for the :1-taxable-year period ending with
  6. the preceding taxahle year arc at least

7 $500,000,000, and

1. " (C) the base erosion percentage (as deter­
2. mined under subsedion (e)(4)) of which for the
3. taxable year is 4 percent or higher.
4. "(2) GROSS RECEIPTS.-
5. "(A) SPECIAL RULE FOR FOREIGN PER­
6. SOXS.-ln the case of a foreign person the
7. · gross rcecipts of whieh arc taken into aeeount
8. for purposes of paragraph (l)(B), only gross re­
9. ceipts which arc taken into account in deter­
10. mining- ineorne whieh is effectively eonnected
11. with the conduct of a trade or business within
12. the Unitcd States shall be taken into account.
13. In the case of a taxpayer which is a foreign per­
14. son, the preceding sentence shall not apply to
15. the gross reeeipts of any United States person
16. which a.re aggregated with the taxpayer's gross
17. reeeipts by reason of paragraph (3).

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* 1. **"(B)** OTHER RULES MADE APPLICABLE.-
  2. Rules similar to the rules of subparagraphs (B),
  3. (C), and (D) of section 448(c)(3) shall apply in
  4. determining gross receipts for purposes of this
  5. section.
  6. "(:3) AGGREGATION RULES.-All persons treat-
  7. ed as a single employer under subsection (a) of sec-
  8. tion 52 shall be treated as 1 person for purposes of
  9. this subsection and subsection (c)(4), ex( ept that in
  10. applying section 1563 for purposes of section 52, the
  11. exception for foreign corporations under section
  12. 1563(b)(2)(C) shall be disregarded.
  13. "(f) FOREIGN PERSON.-For purposes of this sec-
  14. tion, the term 'foreign person' has the meaning given such
  15. term by section 60:38A(c)(3).
  16. "(g) RELATED PARTY.-For purposes of this sec-
  17. tion-
  18. "(1) IN GENERAL.-The term 'related party'
  19. means, with respect to any applicable taxpayer-
  20. "(A) any 25-percent owner of the taxpayer,
  21. '' (B) any person who is related (within the
  22. meaning of section 267(b) or 707(b)(l)) to the
  23. taxpayer or any 25-percent owner of the tax-
  24. payer, and

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* + 1. "(C) any other person who is related (with-
    2. in the meaning of section 482) to the taxpayer.
    3. "(2) 25-PERCENT OWNER.-The term '25-per-
    4. cent owner' means, with respect to any corporation,
    5. any person who owns at least 25 percent of-
    6. **"(A)** the total voting power of all classes of
    7. stock of a corporation entitled to vote, or
    8. '' (**B)** the total value of all cla88es of 8tock
    9. of such corporation.
    10. "(:3) SECTION 318 TO APPLY.-Section :318
    11. shall apply for purposes of paragraphs (1) and (2),
    12. ext ept that-
    13. "(A) '10 percent' shall be substituted for
    14. '50 percent' in set tion 818(a)(2)(C), and
    15. "(B) subparagraphs (A), (B), and (C) of
    16. section 818(a)(8) shall not he applied so as to
    17. consider a United States person as owning-
    18. stock which is owned by a person who is not a
    19. United States person.
    20. "(h) EXCEPTION FOR CERTAIN PAYMENTS l\ilADE IX
    21. THE ORDINARY COURSE OF" TRADE OR BUSINESS.-For
    22. purposes of this section-
    23. "(1) IN GENERAL.-Except as provided in para-
    24. graph (8), any qualified dcrivatiYe payment shall not
    25. be treated as a base erosion payment.

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* + - 1. "(2) QUALIFIED DERIVATIVE PAYMENT.-
      2. " (A) IN GENERAL.-The term 'qualified
      3. derivative payment' means any payment made
      4. by a taxpayer pursuant to a derivative with re­
      5. spect to which the taxpayer-
      6. '' (i) recognizes gain or loss as if such
      7. derivative were sold for its fair market
      8. value on the last business day of the tax­
      9. able year (and sueh additional times as re­
      10. quired by this title or the taxpayer's meth­
      11. od of accounting),
      12. "(ii) treats any gain or loss so recog­
      13. nized as ordinary, and
      14. "(iii) treats the eharaeter of all items
      15. of income, deduction, gain, or loss with re­
      16. spect to a payment pursuant to the deriva­
      17. tive as ordinary.
      18. **"(B)** REPORTING REQUIREMEXT.-No
      19. pa;yments shall be treated as qualified derivative
      20. payments under subparagraph (A) for any tax­
      21. able year unless the taxpayer includes in the in­
      22. formation required to be reported under seetion
      23. 6038B(b)(2) with respect to such taxable year
      24. sueh information as is neeessary to identify the
      25. payments to be so treated and such other infor-

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1. mation as the Secretary determines necessary
2. to carry ont the provisions of this subsection.
3. "(3) EXCEPTIONS FOR PADIENTS OTHERWISE
4. 'l'HEA'l'ED AS BASE EROSION PAYl\1ENTS.-This sub-

**s** section shall not apply to any qualified deriYative

1. payment if-
2. **"(A)** the payment wonld be treated as a
3. base erosion payment if it were not made pur-
4. suant to a derivative, ineluding any interest,
5. royalty, or service payment, or
6. '' (B) in the case of a contract which has
7. derivative and nonderivative components, the
8. payrnent is properly allocable to the nonderiva-
9. tive component.
10. "(4) DERIYATIYE DEFIXED.-For purposes of
11. this suhsection-
12. "(A) IN GENERAL.-The term 'derivative'
13. means any contract (including any option, for-
14. ward contract, futures contract, short position,
15. swap, or similar contract) the value of which, or
16. any payment or otlwr transfer with respect to
17. which, is (directly or indirel tly) determined by
18. reference to one or more of the following:

24

25 tion.

'' (i) Any share of stock in a corpora-

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1. ''(ii) Any evidence of indebtedness.
2. "(iii) Any commodity which is actively
3. traded.
4. '' (iv) Any currency.
5. "(v) Any rate, price, amount, index,
6. formula, or algorithm.

7  rovided in regulations pr s d by



1. th -s ev 1 avoidance of the
2. purposes of ,,th:" piirt,--.s:u h hall not in­
3. clud /'i;:em described: h



(v).

11 .\_

1. "(B) TREATMENT OF AlVIERICAN DEPOSI­
2. TORY RECEIPTS AND SIMILAR INSTRUMENTS.­
3. Except as otherwise provided by the Secretary,
4. for purposes of this part, American depository
5. receipts (and similar instruments) with respect
6. to shares of stock in foreign corporations shall
7. be treated as shares of stock in such foreign
8. corporations.
9. "(i) REGULATIONS.-The Secretary shall prescribe
10. such regulations or other guidance as may be necessary
11. or appropriate to carry out the provisions of this section,
12. including regulations-
13. '' (**1)** providing for such adjustments to the ap-
14. plication of this section as are necessary to prevent

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* 1. the avoidance of the purposes of this section, includ-
  2. ing throngh-
  3. **"(A)** the use of unrelated persons, conduit
  4. transactions, or other intermediaries, or
  5. **"(B)** transactions or arrangements de-
  6. signed, in whole or in part-
  7. "(i) to characterize payments other-
  8. wise subject to this section as payments
  9. not subject to this section, or
  10. "(ii) to substitute payments not sub-
  11. ject to this section for payments otherwise
  12. subject to this section and
  13. "(2) for the application of subsection (g), in-
  14. eluding· rules to prevent the avoidance of the excep-
  15. tions under subsection (g)(:3).".
  16. **(h) REPORTING REQUIREMENTS AND PENALTIES.-**
  17. (1) IN GENERAL.-Subsection (b) of section
  18. 6038A is amended to read as follows:
  19. "(b) REQLIHED l POIUL\'l'IO.-
  20. "(1) I GENERAL.-:B--,or purposes of subsection
  21. (a), the information descrihed in this suhscction is
  22. such information as the Secretary prescribes by reg-
  23. ulations relating to-
  24. "(A) the name, principal place of business,
  25. nature of business, and country or countries in

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1. which organized or resident, of each person
2. whieh-
3. "(i) is a related party to the reporting
4. corporation, and
5. "(ii) had any transaction with the re-
6. porting corporation during its taxable year,
7. **"(B)** the manner in whi( h the reporting
8. corporation is related to each person referred to
9. in subparagraph (A), and
10. "(C) transactions between the reporting
11. corporation and each foreign person which is a
12. related party to the reporting corporation.
13. **"(2) ADDITIONAL INFORMATION REGARDIXG**
14. BASE EHOSIOX PAYME 'l'S.-For purposes of sub-
15. section (a) and section 6088C, if the reporting cor-
16. poration or the foreign corporation to whom section
17. 6088C applies is an applicable taxpayer, the infor-
18. mation described in this subsection shall include-
19. "(A) such information as the Secretary de-
20. termines necessary to determine the base ero-
21. sion minimum tax amount, hase erosion pay-
22. ments, and base erosion tax benefits of the tax-
23. payer for purposes of section 59A for the tax-
24. able year, and

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* 1. **"(B)** such other information as the Sec-
  2. retary determines necessary to carry out such
  3. section.
  4. 11-,or purposes of this paragraph, any term used in
  5. this paragraph which is also used in section 59A
  6. shall have the same meaning as when used in such
  7. section.".
  8. (2) INCREASE IX PENALTY.-Paragraphs (1)
  9. and (2) of section 6038A(d) arc each amended by
  10. striking "$10,000" and inserting "$25,000".
  11. (c) DISALLOWA '\TCE OF CREDITS AGAINST BASE
  12. EROSION TAX.-Paragraph (2) of section 26(b) is amend-
  13. ed by inserting after subparagraph (A) the following new
  14. subparagraph:
  15. "(B) section 59A (relating to base erosion
  16. and anti-ahuse tax),".
  17. (<l) CONFORMING AMENDMENTS.-
  18. (1) The table of parts for subchapter A of chap-
  19. tcr 1 is amended by adding after the item relating
  20. to part VI the following new item:

"Part YU. Base erosion and anti-abuse tax".

* 1. (2) Paragraph (1) of section 882(a), as amend-
  2. ed by this Aet, is amended by inserting· '' or 59A,''
  3. after ''section 11,''.

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* + 1. (:3) Subparagraph (A) of section 6425(c)(l), as
    2. amended by section 13001, is amended to read as
    3. follows:
    4. "(A) the sum of-
    5. "(i) the tax imposed by section 11, or
    6. suhchaptcr L of chapter 1, whichever is
    7. applicable, pins
    8. "(ii) the tax imposed by section 59A,
    9. over".
    10. (4)(A) Subparagraph (A) of section 6655(g)(l),
    11. as amended hy section 1:3001, is amended hy strik-
    12. ing "plus" at the end of clause (i), by redesignating
    13. clause (ii) as clause (iii), and by inserting after
    14. clause (i) the following; new clause:
    15. "(ii) the tax imposed by section 59A,
    16. plus".
    17. (B) Subparagraphs (A)(i) and (B)(i) of section
    18. 6655(e)(2), as amended by section 13001, are each
    19. amended by inserting· "and modified taxable income"
    20. after "taxable income".
    21. (C) Subparagraph (B) of section 6655(e)(2) is
    22. amended by adding at the end the following new
    23. clause:
    24. "(iii) MODIFIED TAXABLE INCOME.-
    25. The term 'modified taxable income' has the

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1 meanmg given such term by section

2 59A(e)(l).''.

1. (e) EFF'ECTIVE DATE.-The amendments made by
2. this section shall apply to base erosion payments (as de-
3. fined in section 59A(d) of the Internal Revenue Code of
4. 1986, as added by this section) paid or accrued in taxable
5. years beginning· after December 31, 2017.
6. PART III-OTHER PROVISIONS
7. **SEC. 14501. RESTRICTION ON INSURANCE BUSINESS EXCEP-**
8. **TION TO PASSIVE FOREIGN INVESTMENT**
9. **COMPANY RULES.**
10. (a) IN GENERAL.-Section 1297(b)(2)(B) is amen<l-
11. ed to read as follows:
12. "(B) derived in the active conduct of an in-
13. surance business by a qualifying insurance cor-
14. poration (as defined in subsection (f)),".
15. (b) QUALIFYING INSCRA.. CE CORPORATIOX DE-
16. FINED.-Section 1297 is amended by adding at the end
17. the following new subsection:
18. "(f) QUALIFYING INSCRANCE CORPORATION.-For
19. purposes of subsection (b)(2)(B)-
20. "(1) IN GENERAL.-The term 'qualifying· insur-
21. ance corporation' means, with respect to any taxable
22. year, a foreign corporation-

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* 1. **"(A)** which would he subject to tax under
  2. snbchapter L if such corporation were a domes-
  3. tic corporation, and
  4. **"(B)** the applicable msurance liabilities of
  5. which constitute more than 25 percent of its
  6. total assets, determim)d on the hasis of such li-
  7. abilities and assets as reported on the corpora-
  8. tion's applicable financial statement for the last
  9. year ending with or within the taxable year.
  10. "(2) ALTERNATIVE FACTS A.."\'"D CIR-
  11. **CUMSTANCES TEST FOR CERTAIN CORPORATIONS.-**
  12. If a ( orporation fails to qualify as a qualified insur-
  13. ance corporation under paragraph (1) solely because
  14. the percentage determined under paragraph (1) (B)
  15. is 25 percent or less, a United States person that
  16. owns stock in such corporation may elect to treat
  17. such stock as stock of a qualifying insurance cor-
  18. poration if-
  19. '' (A) the percentage so determined for the
  20. corporation is at least 10 percent, and
  21. "(B) under regulations provided hy the
  22. Srcretary, based on the applicable facts an<l eir-
  23. cumstances-
  24. "(i) the corporation is predominantly
  25. engaged in an insurance business, and

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* + 1. "(ii) such failure is due solely to run-
    2. off-related or rating-related eireumstanees
    3. involving such insurance business.
    4. "(8) APPLICABLE 11\'SL'IUXCE LIABII rrms.-
    5. For purposes of this subsection-
    6. **"(A)** Ix GEXERAL.-The term 'applicable
    7. insuranee liabilities' means, with respect to any
    8. life or property and casualty insurance busi-
    9. ncss-
    10. "(i) loss and loss adjustment ex-
    11. penses, and
    12. "(ii) reserves (other than defieieney,
    13. contingency, or unearned premium re-
    14. serves) for life and health insuranee risks
    15. and life and health insurance claims with
    16. respect to contracts providing coverage for
    17. mortality or morbidity risks.
    18. **"(B)** LIMITATIOXS ON A1\1OUNT OF, LIABIL-
    19. rrms.-Any amount determined under elause
    20. (i) or (ii) of subparagraph (A) shall not exceed
    21. the lesser of such amount-
    22. "(i) as reported to the applicable in-
    23. surance regulatory body in the applicable
    24. finaneial statement deseribed in paragraph

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* + - 1. ' ( 4)(A) (or, if less, the amount required hy
      2. applicable law or regulation), or
      3. "(ii) as determined under regulations
      4. prescribed by the Secretary.
      5. "( 4) OTHER DEFIXITIONS AND RULES.-For
      6. purposes of this suhsection-
      7. "(A) APPLICABLE FINA.."\'CIAL STATE-
      8. MENT.-The term 'applicable financial state­
      9. ment' means a statement for financial reporting
      10. purposes which-
      11. '' (i) is made on the hasis of generally
      12. a( cepted accounting; principles,
      13. "(ii) is made on the basis of inter­
      14. national financial reporting standards, but
      15. only if there is no statement that meets
      16. the requirement of clause (i), or
      17. "(iii) except as otherwise provided by
      18. the Secretary in regulations, is the annual
      19. statement which is required to be filed
      20. "'ri.th the applicable msurance regulatory
      21. hody, hut only if there is no statement
      22. which meets the requirements of clause (i)
      23. or (ii).
      24. "(B) APPLICABLE INSURANCE REGI;­
      25. LATORY BODY.-The term 'applicable insurance

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1. regulatory hotly' means, with respect to any in-
2. surance business, the entity established by law
3. to license, authorize, or regulate such business
4. and to which the statement described in sub­
5. paragraph (A) is provided.".
6. (c) EFFECTIYE DATE.-The amendments made hy
7. this section shall apply to taxable years beg·inning- after 8 December 31, 2017.

9 **SEC. 14502. REPEAL OF FAIR MARKET VALUE METHOD OF**

1. **INTEREST EXPENSE APPORTIONMENT.**
2. (a) IN GENERAL.-Paragraph (2) of section 864(e)
3. is amended to read as follows:
4. "(2) GROSS IXCOME A.. D FAIR MARKET VALVE
5. l\rnrrIIODS MAY NOT BE USED l•.,01{ 1xrrE1msrr.-All
6. allocations and apportionments of interest expense
7. shall he determined using the adjusted hases of as-
8. sets rather than on the basis of the fair market
9. value of the assets or gross income.".
10. (b) E1,.,1,,,ECTIVE D.NrE.-The amendment made by
11. this section shall apply to taxable years beginning after
12. Deccmher :n, 2017.
13. **SEC. 14503. MODIFICATION TO SOURCE RULES INVOLVING**
14. **POSSESSIONS.**
15. (a) IN GENERAL.-Subsection (b)(2) of Section 937
16. of the Internal ReYenue Code of 1986 is amended by in-

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1. serting '', hut only to the extent such income is attrih-
2. utable to an offiee or fixed place of business within the
3. United States (determined under the rules of Section
4. 8ti4(c)(5))" before the period at the end.
5. (b) SorRCE RrLES FOR PERSONAL PROPERTY
6. SALES.-Suhsection (j) (3) of section 865 of the Internal
7. Revenue Code of 1986 is amended by inserting "932,"

8 after "931,".

9 (e) EI,,F'EcrrIYE DATE.-The amendments made by

1. this section shall apply to taxable years beginning after
2. Dccemher :n, 2018.
3. **TITLE** II

1J **SEC. 20001. OIL AND GAS PROGRAM.**

1. (a) DEPINrrIONS.-ln this section:
2. (1) COASTAL PLAIN.-The term "Coastal
3. Plain" means the area identified as the 1002 Arca
4. on the plates prepared by the United States Geologi-
5. cal Survey entitled **"Al\\VR** Map - Plate 1" and
6. "AN\VR Map - Plate 2", dated October 24, 2017,
7. and on file with the United States Geological Survey
8. and the Office of the Solicitor of the Department of
9. the Interior.
10. (2) SECRETARY.-The term ''Secretary'' means
11. the Secretary of the Interior, acting through the Bu-
12. reau of Land Management.

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1. (h) OIL A.,D GAS PROGRA.'\1.-
2. (1) IN GENERAL.-Seetion 1003 of the Alaska
3. National Interest Lands ConserTation Act (16
4. U.S.C. 314:3) shall not apply to the Coastal Plain.
5. (2) ESTABLISHMENT.-
6. **(A) IN** GENERAL.-The Secretary shall cs-
7. tablish and administer a competitive oil and gas
8. program for the leasing, development, produc-
9. tion, and transportation of oil and gas in and
10. from the Coastal Plain.
11. **(B)** P-URPOSES.-Section 30:3(2)(B) of the
12. Alaska National Interest Lands Conservation
13. Act (Public Law 96-487; 94 Stat. 2390) is
14. amcndcd-
15. (i) in clause (iii), by striking "and" at
16. the end;
17. (ii) in clause (iY), by striking the pe-
18. riod at the end and inserting ''; and''; and
19. (iii) by adding at the end the fol-
20. lowing:
21. "(v) to provide for an oil and gas pro-
22. gram on the Coastal Plain.".
23. (3) AGEMENT.-Except as otherwise pro-
24. vidcd in this section, the Secretary shall manage the
25. oil and gas program on the Coastal Plain in a man-

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1. ner similar to the administration of lease sales under
2. the Naval Petroleum Reserves Production Act of
3. 1976 (42 U.S.C. 6501 et seq.) (including regula-
4. tions).
5. (4) ROYALTIES.-Notwithstanding the Mineral
6. Leasing Act (80 U.S.C. 181 et seq.), the royalty
7. rate for leases issued pursuant to this section shall
8. be 16.67 percent.
9. (5) HECEIP'l1S.-N otwithstanding the Mineral
10. Leasing Act (80 U.S.C. 181 et seq.), of the amount
11. of adjusted bonus, rental, and royalty receipts de-
12. rived from the oil and g·as program and operations
13. on Federal land authorized under this section-
14. (A) 50 percent shall be paid to the State
15. of Alaska; and
16. (B) the balance shall he deposited into the
17. Treasury as miscellaneous receipts.
18. (c) 2 LEASE SALES WITHIN 10 YEARS.-
19. **(1)** REQUIHEMEN'l\-

2O (A) IN GENERAL.-Subject to subpara-

1. graph **(B),** the Secretary shall conduct not
2. fewer than 2 lease sales area-wide under the oil
3. and gas program under this section by not later
4. than 10 years after the date of enactment of
5. this Act.

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* 1. (B) SALE ACREAGES; SCHEDl:LE.-
  2. (i) ACREAGES.-The St'cretary shall
  3. offer for lease under the oil and gas pro-
  4. gram under this section-
  5. (I) not fewer than 400,000 acres
  6. area-wide in <?ach lease sale; and
  7. (II) those areas that have the
  8. highe8t potential for the di8covery of
  9. hydrocarbons.
  10. (ii) SCHEDULE.-The Secretary shall
  11. offer-
  12. (I) the initial least' sale under the
  13. oil and gas program under this sec-
  14. tion not later than 4 years after the
  15. date of enactment of this Act; and
  16. (II) a second lease sale under the
  17. oil and gas prog-ram under this sec-
  18. tion not later than 7 years after the
  19. date of enactment of this Act.
  20. (2) RIGIITS-OF-WAY.-The Secretary shall issue
  21. any rights-of-way or easements across the Coastal
  22. Plain for the exploration, development, prodnetion,
  23. or transportation necessary to carry out this section.
  24. (3) SURFACE DEYEI.iOPMENT.-In admin-
  25. istering this section, the Secretary shall authorize up

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1. to 2,000 surface acres of Federal land on the Coast-
2. al Plain to be coyered by produetion and support fa-
3. cilities (including airstrips and any area covered by
4. graw l berms or piers for support of pipelines) clur-
5. ing the term of the leases under the oil and gas pro-
6. gram under this section.
7. **SEC. 20002. LIMITATIONS ON AMOUNT OF DISTRIBUTED**
8. **QUALIFIED OUTER CONTINENTAL SHELF**
9. **REVENUES.**
10. Section 105(f)(l) of the Gulf of Mexico Energy Secu-
11. rity Act of 2006 (43 U.S.C. 1:331 note; Puhlic Law 1og\_
12. 432) is amended by striking· "pxceed $500,000,000 for
13. each of fiscal years 2016 through 2055." and inserting
14. the following: "cxcecd-
15. "(A) $500,000,000 for each of fiscal years

16 2016 through 2019;

17 "(B) $650,000,000 for each of fiscal years 18 2020 and 2021; and

19 "(C) $500,000,000 for each of fiscal years

20 2022 through 2055.".

1. **SEC. 20003. STRATEGIC PETROLEUM RESERVE DRAWDOWN**
2. **AND SALE.**
3. (a) DRAWDO\\ A.."'\D SALE.-
4. (1) Ix GEXERAL.-Notwithstanding section 161
5. of the Energy Policy and ConserTation Act (42

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1. U.S.C. 6241), except as prmided in subsections (b)
2. and (c), the Secretary of Energy shall draw down
3. and sell from the Strategic Petroleum Reserve
4. 7,000,000 barrels of crude oil during the period of
5. fiscal years 2026 through 2027.
6. (2) DEPOSIT OF Al\IffCXTS RECEIVED FROM
7. SALE.-Amounts received from a sale under para-
8. graph (1) shall be deposited in the general fund of
9. the 'rreasury during the fiscal year in which the sale
10. occurs.
11. (b) EMERGEXCY PROTECTIOX.-The Secretary of
12. Energy shall not draw down and sell crude oil under sub-
13. section (a) in a quantity that would limit the authority
14. to sell petroleum products under subsection (h) of section
15. 161 of the Energy Policy and Conservation Act (42 U.S.C.
16. 6241) in the full quantity authorized hy that subsection.
17. (c) LIMITATION.-The Secretary of Energy shall not
18. drawdown or conduct sales of crude oil under subsection
19. (a) after the date on which a total of $600,000,000 has
20. been deposited in the general fund of the Treasury from
21. sales authorized under that subsection.