Lewis (MN)
Lieu, Ted
Lipinski
LoBiondo
Loebsack
Lofgren
Long
Loudermilk
Love
Lowenthal
Lowey
Lucas
Luetkemeyer
Lujan Grisham, M.
Luján, Ben Ray
Lynch
MacArthur
Maloney, Carolyn B.
Maloney, Sean
Marchant
Marino
Marshall
Massie
Mast
Matsui
McCarthy
McCaul
McClintock
McCollum
McEachin
McHenry
McKinley
McMorris Rodgers
McNerney
McSally
Meadows
Meehan
Meeks
Meng
Messer
Mitchell
Moolenaar
Mooney (WV)
Moore
Moulton
Mullin
Murphy (FL)
Nadler
Napolitano
Neal
Newhouse
Noem
Nolan
Norcross
Norman
Nunes
O'Halleran
O'Rourke
Olson
Palazzo
Pallone
Palmer
Panetta
Pascrell
Paulsen
Payne
Pearce
Pelosi
Perlmutter
Perry
Peters
Peterson
Pingree
Pittenger
Poe (TX)
Poliquin
Polis
Posey
Price (NC)
Quigley
Raskin
Ratcliffe
Reed
Reichert
Rice (NY)
Rice (SC)
Richmond
Roby
Roe (TN)
Rogers (AL)
Rogers (KY)
Rohrabacher
Rokita
Rooney, Francis
Rooney, Thomas J.
Ros-Lehtinen
Rosen
Roskam
Ross
Rothfus
Rouzer
Roybal-Allard
Royce (CA)
Ruiz
Ruppersberger
Rush
Rutherford
Ryan (OH)
Sánchez
Sanford
Sarbanes
Scalise
Schakowsky
Schiff
Schneider
Schrader
Schweikert
Scott (VA)
Scott, Austin
Scott, David
Sensenbrenner
Serrano
Sessions
Sewell (AL)
Shea-Porter
Sherman
Shimkus
Shuster
Simpson
Sinema
Sires
Slaughter
Smith (MO)
Smith (NE)
Smith (NJ)
Smith (TX)
Smith (WA)
Smucker
Soto
Speier
Stefanik
Stewart
Stivers
Suozzi
Swalwell (CA)
Takano
Taylor
Tenney
Thompson (CA)
Thompson (MS)
Thompson (PA)
Thornberry
Tiberi
Tipton
Titus
Tonko
Torres
Trott
Tsongas
Turner
Upton
Valadao
Vargas
Veasey
Vela
Velázquez
Visclosky
Wagner
Walberg
Walden
Walker
Walorski
Walters, Mimi
Walz
Wasserman Schultz
Waters, Maxine
Watson Coleman
Weber (TX)
Webster (FL)
Welch
Wenstrup
Westerman
Williams
Wilson (FL)
Wilson (SC)
Wittman
Womack
Woodall
Yarmuth
Yoder
Yoho
Young (AK)
Young (IA)
Zeldin

NOT VOTING—10

Barton
Bridenstine
Buchanan
Granger
Hudson
Johnson, Sam
McGovern
Pocan
Renacci
Russell

□ 1648

So (two-thirds being in the affirmative) the rules were suspended and the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. MCGOVERN. Mr. Speaker, I was unavoidably absent on Wednesday, November 15, 2017.

On rollcall Vote No. 632, the Motion on Ordering the Previous Question on the Rule providing for consideration of H.R. 1, if I had been present, I would have voted "no."

On rollcall Vote No. 633, on passage of H. Res. 619, the Rule providing for consideration of H.R. 1, if I had been present, I would have voted "no."

On rollcall Vote No. 634, on passage of H.R. 2331, the Connected Government Act, as amended, if I had been present, I would have voted "yes."

On rollcall Vote No. 635, on passage of H.R. 3821, to designate the "Zachary Addington Post Office," if I had been present, I would have voted "yes."

On rollcall Vote No. 636, on passage of H.R. 2672, to designate the "Sgt. Douglas J. Riney Post Office," if I had been present, I would have voted "yes."

PERSONAL EXPLANATION

Ms. GRANGER. Mr. Speaker, I was unable to make votes. Had I been present, I would have voted "yea" on rollcall No. 635 and "yea" on rollcall No. 636.

RECOGNIZING THE DEEP AND ABIDING FRIENDSHIP BETWEEN THE UNITED STATES AND ISRAEL

Mr. ROYCE of California. Mr. Speaker, I ask unanimous consent that the Committee on Foreign Affairs be discharged from further consideration of the concurrent resolution (H. Con. Res. 92) recognizing the deep and abiding friendship between the United States and Israel, and ask for its immediate consideration in the House.

The Clerk read the title of the concurrent resolution.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The text of the concurrent resolution is as follows:

H. CON. RES. 92

Whereas the Jewish people have had a homeland in modern-day Israel for more than 3,000 years;

Whereas, on November 2, 1917, United Kingdom Foreign Secretary Lord Arthur Balfour wrote to Lord Walter Rothschild, to be declared to the Zionist Federation, a letter declaring, on behalf of the Government of the United Kingdom, support for a home for the Jewish people in the former Ottoman district of Palestine;

Whereas this letter, known as the Balfour Declaration, was ratified by the League of Nations on July 24, 1922;

Whereas, on September 21, 1922, President Warren G. Harding signed House Joint Resolution 322, after unanimous support from the House of Representatives and the Senate, favoring the establishment, in the former Ottoman district of Palestine, of a national home for the Jewish people;

Whereas the Balfour Declaration clearly recognized and sought to uphold the "civil and religious rights of the existing non-Jewish communities in Palestine," as well as the "rights and political status enjoyed by Jews in any other country";

Whereas the Balfour Declaration was a significant part of the chain of events that led to the establishment of the modern State of Israel on May 14, 1948;

Whereas since Israel's founding, it has been a strong and steadfast ally to the United States, and the relationship is built on a mutual commitment to shared values;

Whereas Israel serves as a beacon for democracy by holding free and transparent elections and promoting the free exchange of ideas;

Whereas in April 1998, the United States designated Israel as a Major Non-NATO ally and in 2014 was elevated to the status of a Major Strategic Partner; and

Whereas the 100th Anniversary of the Balfour Declaration offers an opportunity for recommitment to strengthening the relationship between the United States and Israel; Now, therefore, be it

Resolved by the House of Representatives (the Senate concurring), That Congress—

(1) affirms its commitment to maintaining the strongest of bilateral ties with the State of Israel;

(2) recognizes the importance of the establishment of the modern State of Israel as a secure and democratic homeland for the Jewish people, without prejudice to the rights of all people to live within or alongside Israel in peace; and

(3) supports efforts to continue to increase economic, security and cultural ties between the United States and Israel.

AMENDMENT OFFERED BY MR. ROYCE OF CALIFORNIA

Mr. ROYCE of California. Mr. Speaker, I have an amendment at the desk.

The SPEAKER pro tempore. The Clerk will report the amendment.

The Clerk read as follows:

Page 3, line 3, strike '', without prejudice to the rights of all people to live within or alongside Israel in peace'' and insert ''that upholds full and equal rights for all of its citizens''.

The amendment was agreed to.

The concurrent resolution, as amended, was agreed to.

A motion to reconsider was laid on the table.

TAX CUTS AND JOBS ACT

Mr. BRADY of Texas. Mr. Speaker, pursuant to House Resolution 619, I call up the bill (H.R. 1) to provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2018, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Pursuant to House Resolution 619, in lieu of the amendment in the nature of a substitute recommended by the Committee on Ways and Means printed in the bill, an amendment in the nature of a substitute consisting of the text of Rules Committee Print 115–39 is adopted, and the bill, as amended, is considered read.

The text of the bill, as amended, is as follows:

H.R. 1

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; ETC.

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

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

(c) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

TITLE I—TAX REFORM FOR INDIVIDUALS

Subtitle A—Simplification and Reform of Rates, Standard Deduction, and Exemptions

SEC. 1001. REDUCTION AND SIMPLIFICATION OF INDIVIDUAL INCOME TAX RATES.

(a) IN GENERAL.—Section 1 is amended by striking subsection (i) and by striking all that precedes subsection (h) and inserting the following:

''SEC. 1. TAX IMPOSED.

''(a) IN GENERAL.—There is hereby imposed on the income of every individual a tax equal to the sum of—

''(1) 12 PERCENT BRACKET.—12 percent of so much of the taxable income as does not exceed the 25-percent bracket threshold amount,

''(2) 25 PERCENT BRACKET.—25 percent of so much of the taxable income as exceeds the 25-percent bracket threshold amount but does not exceed the 35-percent bracket threshold amount, plus

''(3) 35 PERCENT BRACKET.—35 percent of so much of taxable income as exceeds the 35-percent bracket threshold amount but does not exceed the 39.6 percent bracket threshold amount.

''(4) 39.6 PERCENT BRACKET.—39.6 percent of so much of taxable income as exceeds the 39.6-percent bracket threshold amount.

''(b) BRACKET THRESHOLD AMOUNTS.—For purposes of this section—

''(1) 25-PERCENT BRACKET THRESHOLD AMOUNT.—The term '25-percent bracket threshold amount' means—

''(A) in the case of a joint return or surviving spouse, $90,000,

''(B) in the case of an individual who is the head of a household (as defined in section 2(b)), $67,500,

''(C) in the case of any other individual (other than an estate or trust), an amount equal to ½ of the amount in effect for the taxable year under subparagraph (A), and

''(D) in the case of an estate or trust, $2,550.

''(2) 35-PERCENT BRACKET THRESHOLD AMOUNT.—The term '35-percent bracket threshold amount' means—

''(A) in the case of a joint return or surviving spouse, $260,000,

''(B) in the case of a married individual filing a separate return, an amount equal to ½ of the amount in effect for the taxable year under subparagraph (A), and

''(C) in the case of any other individual (other than an estate or trust), $200,000, and

''(D) in the case of an estate or trust, $9,150.

''(3) 39.6-PERCENT BRACKET THRESHOLD AMOUNT.—The term '39.6-percent bracket threshold amount' means—

''(A) in the case of a joint return or surviving spouse, $1,000,000,

''(B) in the case of any other individual (other than an estate or trust), an amount equal to ½ of the amount in effect for the taxable year under subparagraph (A), and

''(C) in the case of an estate or trust, $12,500.

''(c) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of any taxable year beginning after 2018, each dollar amount in subsections (b) and (e)(3) (other than any amount determined by reference to such a dollar amount) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under this subsection for the calendar year in which the taxable year begins by substituting '2017' for '2016' in paragraph (2)(A)(ii).

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

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

''(A) IN GENERAL.—The cost-of-living adjustment for any calendar year is the percentage (if any) by which—

''(i) the C-CPI-U for the preceding calendar year, exceeds

''(ii) the normalized CPI for calendar year 2016.

''(B) SPECIAL RULE FOR ADJUSTMENTS WITH A BASE YEAR AFTER 2016.—For purposes of any provision which provides for the substitution of a year after 2016 for '2016' in subparagraph (A)(ii), subparagraph (A) shall be applied by substituting 'C-CPI-U' for 'normalized CPI' in clause (ii).

''(3) NORMALIZED CPI.—For purposes of this subsection, the normalized CPI for any calendar year is the product of—

''(A) the CPI for such calendar year, multiplied by

''(B) the C-CPI-U transition multiple.

''(4) C-CPI-U TRANSITION MULTIPLE.—For purposes of this subsection, the term 'C-CPI-U transition multiple' means the amount obtained by dividing—

''(A) the C-CPI-U for calendar year 2016, by

''(B) the CPI for calendar year 2016.

''(5) C-CPI-U.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'C-CPI-U' means the Chained Consumer Price Index for All Urban Consumers (as published by the Bureau of Labor Statistics of the Department of Labor). The values of the Chained Consumer Price Index for All Urban Consumers taken into account for purposes of determining the cost-of-living adjustment for any calendar year under this subsection shall be the latest values so published as of the date on which such Bureau publishes the initial value of the Chained Consumer Price Index for All Urban Consumers for the month of August for the preceding calendar year.

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

''(6) CPI.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'Consumer Price Index' means the last Consumer Price Index for All Urban Consumers published by the Department of Labor. For purposes of the preceding sentence, the revision of the Consumer Price Index which is most consistent with the Consumer Price Index for calendar year 1986 shall be used.

''(B) DETERMINATION FOR CALENDAR YEAR.—The CPI for any calendar year is the average of the Consumer Price Index as of the close of the 12-month period ending on August 31 of such calendar year.

''(d) SPECIAL RULES FOR CERTAIN CHILDREN WITH UNEARNED INCOME.—

''(1) IN GENERAL.—In the case of any child to whom this subsection applies for any taxable year—

''(A) the 25-percent bracket threshold amount shall not be more than the taxable income of such child for the taxable year reduced by the net unearned income of such child, and

''(B) the 35-percent bracket threshold amount shall not be more than the sum of—

''(i) the taxable income of such child for the taxable year reduced by the net unearned income of such child, plus

''(ii) the dollar amount in effect under subsection (b)(2)(D) for the taxable year.

''(C) the 39.6-percent bracket threshold amount shall not be more than the sum of—

''(i) the taxable income of such child for the taxable year reduced by the net unearned income of such child, plus

''(ii) the dollar amount in effect under subsection (b)(3)(C).

''(2) CHILD TO WHOM SUBSECTION APPLIES.—This subsection shall apply to any child for any taxable year if—

''(A) such child—

''(i) has not attained age 18 before the close of the taxable year, or

''(ii) has attained age 18 before the close of the taxable year and is described in paragraph (3),

''(B) either parent of such child is alive at the close of the taxable year, and

''(C) such child does not file a joint return for the taxable year.

''(3) CERTAIN CHILDREN WHOSE EARNED INCOME DOES NOT EXCEED ONE-HALF OF INDIVIDUAL'S SUPPORT.—A child is described in this paragraph if—

''(A) such child—

''(i) has not attained age 19 before the close of the taxable year, or

''(ii) is a student (within the meaning of section 7706(f)(2)) who has not attained age 24 before the close of the taxable year, and

''(B) such child's earned income (as defined in section 911(d)(2)) for such taxable year does not exceed one-half of the amount of the individual's support (within the meaning of section 7706(c)(1)(D) after the application of section 7706(f)(5) (without regard to subparagraph (A) thereof)) for such taxable year.

''(4) NET UNEARNED INCOME.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'net unearned income' means the excess of—

''(i) the portion of the adjusted gross income for the taxable year which is not attributable to earned income (as defined in section 911(d)(2)), over

''(ii) the sum of—

''(I) the amount in effect for the taxable year under section 63(c)(2)(A) (relating to limitation on standard deduction in the case of certain dependents), plus

''(II) The greater of the amount described in subclause (I) or, if the child itemizes his deductions for the taxable year, the amount of the itemized deductions allowed by this chapter for the taxable year which are directly connected with the production of the portion of adjusted gross income referred to in clause (i).

''(B) LIMITATION BASED ON TAXABLE INCOME.—The amount of the net unearned income for any taxable year shall not exceed the individual's taxable income for such taxable year.

''(e) PHASEOUT OF 12-PERCENT RATE.—

''(1) IN GENERAL.—The amount of tax imposed by this section (determined without regard to this subsection) shall be increased by 6 percent of the excess (if any) of—

''(A) adjusted gross income, over

''(B) the applicable dollar amount.

''(2) LIMITATION.—The increase determined under paragraph (1) with respect to any taxpayer for any taxable year shall not exceed 27.6 percent of the lesser of—

''(A) the taxpayer's taxable income for such taxable year, or

''(B) the 25-percent bracket threshold amount in effect with respect to the taxpayer for such taxable year.

''(3) APPLICABLE DOLLAR AMOUNT.—For purposes of this subsection, the term 'applicable dollar amount' means—

''(A) in the case of a joint return or a surviving spouse, $1,200,000,

''(B) in the case of a married individual filing a separate return, an amount equal to ½ of the amount in effect for the taxable year under subparagraph (A), and

''(C) in the case of any other individual, $1,000,000.

''(4) ESTATES AND TRUSTS.—Paragraph (1) shall not apply in the case of an estate or trust.''.

(b) APPLICATION OF CURRENT INCOME TAX BRACKETS TO CAPITAL GAINS BRACKETS.—

(1) IN GENERAL.—

(A) 0-PERCENT CAPITAL GAINS BRACKET.—Section 1(h)(1) is amended by striking ''which would (without regard to this paragraph) be taxed at a rate below 25 percent'' in subparagraph (B)(i) and inserting ''below the 15-percent rate threshold''.

(B) 15-PERCENT CAPITAL GAINS BRACKET.—Section 1(h)(1)(C)(ii)(I) is amended by striking ''which would (without regard to this paragraph) be taxed at a rate below 39.6 percent'' and inserting ''below the 20-percent rate threshold''.

(2) RATE THRESHOLDS DEFINED.—Section 1(h) is amended by adding at the end the following new paragraph:

''(12) RATE THRESHOLDS DEFINED.—For purposes of this subsection—

''(A) 15-PERCENT RATE THRESHOLD.—The 15-percent rate threshold shall be—

''(i) in the case of a joint return or surviving spouse, $77,200 (½ such amount in the case of a married individual filing a separate return),

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

''(iii) in the case of any other individual (other than an estate or trust), an amount equal to ½ of the amount in effect for the taxable year under clause (i), and

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

''(B) 20-PERCENT RATE THRESHOLD.—The 20-percent rate threshold shall be—

''(i) in the case of a joint return or surviving spouse, $479,000 (½ such amount in the case of a married individual filing a separate return),

''(ii) in the case of an individual who is the head of a household (as defined in section 2(b)), $452,400,

''(iii) in the case of any other individual (other than an estate or trust), $425,800, and

''(iv) in the case of an estate or trust, $12,700.

''(C) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, each of the dollar amounts in subparagraphs (A) and (B) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under subsection (c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in clause (ii) thereof.''.

(c) APPLICATION OF SECTION 15.—

(1) IN GENERAL.—Subsection (a) of section 15 is amended by striking ''by this chapter'' and inserting ''by section 11 (or by reference to any such rates)''.

(2) CONFORMING AMENDMENTS.—

(A) Section 15 is amended by striking subsections (d) and (f) and by redesignating subsection (e) as subsection (d).

(B) Section 15(d), as redesignated by subparagraph (A), is amended by striking ''section 1 or 11(b)'' and inserting ''section 11(b)''.

(C) Section 6013(c) is amended by striking ''sections 15, 443, and 7851(a)(1)(A)'' and inserting ''sections 443 and 7851(a)(1)(A)''.

(3) APPLICATION TO THIS ACT.—Section 15 of the Internal Revenue Code of 1986 shall not apply to any change in a rate of tax imposed by chapter 1 of such Code which occurs by reason of any amendment made by this Act (other than the amendments made by section 3001).

(d) EFFECTIVE DATE.—

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

(2) SUBSECTION (c).—The amendments made by subsection (c) shall take effect on the date of the enactment of this Act.

SEC. 1002. ENHANCEMENT OF STANDARD DEDUCTION.

(a) INCREASE IN STANDARD DEDUCTION.—Section 63(c) is amended to read as follows:

''(c) STANDARD DEDUCTION.—For purposes of this subtitle—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'standard deduction' means—

''(A) $24,400, in the case of a joint return (or a surviving spouse (as defined in section 2(a)),

''(B) three-quarters of the amount in effect under subparagraph (A) for the taxable year, in the case of the head of a household (as defined in section 2(b)), and

''(C) one-half of the amount in effect under subparagraph (A) for the taxable year, in any other case.

''(2) LIMITATION ON STANDARD DEDUCTION IN THE CASE OF CERTAIN DEPENDENTS.—In the case of an individual who is a dependent of another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the standard deduction applicable to such individual for such individual's taxable year shall not exceed the greater of—

''(A) $500, or

''(B) the sum of $250 and such individual's earned income (within the means of section 32).

''(3) CERTAIN INDIVIDUALS, ETC., NOT ELIGIBLE FOR STANDARD DEDUCTION.—In the case of—

''(A) a married individual filing a separate return where either spouse itemizes deductions,

''(B) a nonresident alien individual,

''(C) an individual making a return under section 443(a)(1) for a period of less than 12 months on account of a change in his annual accounting period, or

''(D) an estate or trust, common trust fund, or partnership,

the standard deduction shall be zero.

''(4) UNMARRIED INDIVIDUAL.—For purposes of this section, the term 'unmarried individual' means any individual who—

''(A) is not married as of the close of the taxable year (as determined by applying section 7703),

''(B) is not a surviving spouse (as defined in section 2(a)) for the taxable year, and

''(C) is not a dependent of another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins.

''(5) INFLATION ADJUSTMENTS.—

''(A) STANDARD DEDUCTION AMOUNT.—In the case of any taxable year beginning after 2019, the dollar amount in paragraph (1)(A) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2018' for 'calendar year 2016' in clause (ii) thereof.

''(B) LIMITATION AMOUNT IN CASE OF CERTAIN DEPENDENTS.—In the case of any taxable year beginning after 2017, each of the dollar amounts in paragraph (2) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii)(I) in the case of the dollar amount in paragraph (2)(A), under section 1(c)(2)(A) for the calendar year in which the taxable year begins determined by substituting 'calendar year 1987' for 'calendar year 2016' in clause (ii) thereof, and

''(II) in the case of the dollar amount in paragraph (2)(B), under section 1(c)(2)(A) for the calendar year in which the taxable year begins determined by substituting 'calendar year 1997' for 'calendar year 2016' in clause (ii) thereof.

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

(b) CONFORMING AMENDMENTS.—

(1) Section 63(b) is amended by striking '', minus—'' and all that follows and inserting ''minus the standard deduction''.

(2) Section 63 is amended by striking subsections (f) and (g).

(3) Section 1398(c) is amended—

(A) by striking ''BASIC'' in the heading thereof,

(B) by striking ''BASIC STANDARD'' in the heading of paragraph (3) and inserting ''STANDARD'', and

(C) by striking ''basic'' in paragraph (3).

(4) Section 3402(m)(3) is amended by striking ''(including the additional standard deduction under section 63(c)(3) for the aged and blind)''.

(5) Section 6014(b)(4) is amended by striking ''section 63(c)(5)'' and inserting ''section 63(c)(2)''.

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

SEC. 1003. REPEAL OF DEDUCTION FOR PERSONAL EXEMPTIONS.

(a) IN GENERAL.—Part V of subchapter B of chapter 1 is hereby repealed.

(b) DEFINITION OF DEPENDENT RETAINED.—Section 152, prior to repeal by subsection (a), is hereby redesignated as section 7706 and moved to the end of chapter 79.

(c) APPLICATION TO ESTATES AND TRUSTS.—Subsection (b) of section 642 is amended—

(1) by striking paragraph (2)(C),

(2) by striking paragraph (3), and

(3) by striking ''DEDUCTION FOR PERSONAL EXEMPTION'' in the heading thereof and inserting ''BASIC DEDUCTION''.

(d) APPLICATION TO NONRESIDENT ALIENS.—Section 873(b) is amended by striking paragraph (3).

(e) MODIFICATION OF WAGE WITHHOLDING RULES.—

(1) IN GENERAL.—Section 3402(a) is amended by striking paragraph (2).

(2) CONFORMING AMENDMENT.—Section 3402(a) is amended—

(A) by redesignating subparagraphs (A) and (B) of paragraph (1) as paragraphs (1) and (2) and moving such redesignated paragraphs 2 ems to the left, and

(B) by striking all that precedes ''otherwise provided in this section'' and inserting the following:

''(a) REQUIREMENT OF WITHHOLDING.—Except as''.

(3) NUMBER OF EXEMPTIONS.—Section 3402(f)(1) is amended—

(A) in subparagraph (A), by striking ''an individual described in section 151(d)(2)'' and inserting ''a dependent of any other taxpayer'', and

(B) in subparagraph (C), by striking ''with respect to whom, on the basis of facts existing at the beginning of such day, there may reasonably be expected to be allowable an exemption under section 151(c)'' and inserting ''who, on the basis of facts existing at the beginning of such day, is reasonably expected to be a dependent of the employee''.

(f) MODIFICATION OF RETURN REQUIREMENT.—

(1) IN GENERAL.—Paragraph (1) of section 6012(a) is amended to read as follows:

''(1) Every individual who has gross income for the taxable year, except that a return shall not be required of—

''(A) an individual who is not married (determined by applying section 7703) and who has gross income for the taxable year which does not exceed the standard deduction applicable to such individual for such taxable year under section 63, or

''(B) an individual entitled to make a joint return if—

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

''(ii) such individual and such individual's spouse have the same household as their home at the close of the taxable year,

''(iii) such individual's spouse does not make a separate return, and

''(iv) neither such individual nor such individual's spouse is an individual described in section 63(c)(2) who has income (other than earned income) in excess of the amount in effect under section 63(c)(2)(A).''.

(2) BANKRUPTCY ESTATES.—Paragraph (8) of section 6012(a) is amended by striking ''the sum of the exemption amount plus the basic standard deduction under section 63(c)(2)(D)'' and inserting ''the standard deduction in effect under section 63(c)(1)(B)''.

(g) CONFORMING AMENDMENTS.—

(1) Section 2(a)(1)(B) is amended by striking ''a dependent'' and all that follows through ''section 151'' and inserting ''a dependent who (within the meaning of section 7706, determined without regard to subsections (b)(1), (b)(2) and (d)(1)(B) thereof) is a son, stepson, daughter, or stepdaughter of the taxpayer''.

(2) Section 36B(b)(2)(A) is amended by striking ''section 152'' and inserting ''section 7706''.

(3) Section 36B(b)(3)(B) is amended by striking ''unless a deduction is allowed under section 151 for the taxable year with respect to a dependent'' in the flush matter at the end and inserting ''unless the taxpayer has a dependent for the taxable year''.

(4) Section 36B(c)(1)(D) is amended by striking ''with respect to whom a deduction under section 151 is allowable to another taxpayer'' and inserting ''who is a dependent of another taxpayer''.

(5) Section 36B(d)(1) is amended by striking ''equal to the number of individuals for whom the taxpayer is allowed a deduction under section 151 (relating to allowance of deduction for personal exemptions) for the taxable year'' and inserting ''the sum of 1 (2 in the case of a joint return) plus the number of the taxpayer's dependents for the taxable year''.

(6) Section 36B(e)(1) is amended by striking ''1 or more individuals for whom a taxpayer is allowed a deduction under section 151 (relating to allowance of deduction for personal exemptions) for the taxable year (including the taxpayer or his spouse)'' and inserting ''1 or more of the taxpayer, the taxpayer's spouse, or any dependent of the taxpayer''.

(7) Section 42(i)(3)(D)(ii)(I) is amended—

(A) by striking ''section 152'' and inserting ''section 7706'', and

(B) by striking the period at the end and inserting a comma.

(8) Section 72(t)(2)(D)(i)(III) is amended by striking ''section 152'' and inserting ''section 7706''.

(9) Section 72(t)(7)(A)(iii) is amended by striking ''section 152(f)(1)'' and inserting ''section 7706(f)(1)''.

(10) Section 105(b) is amended—

(A) by striking ''as defined in section 152'' and inserting ''as defined in section 7706'',

(B) by striking ''section 152(f)(1)'' and inserting ''section 7706(f)(1)'' and

(C) by striking ''section 152(e)'' and inserting ''section 7706(e)''.

(11) Section 105(c)(1) is amended by striking ''section 152'' and inserting ''section 7706''.

(12) Section 125(e)(1)(D) is amended by striking ''section 152'' and inserting ''section 7706''.

(13) Section 132(h)(2)(B) is amended—

(A) by striking ''section 152(f)(1)'' and inserting ''section 7706(f)(1)'', and

(B) by striking ''section 152(e)'' and inserting ''section 7706(e)''.

(14) Section 139D(c)(5) is amended by striking ''section 152'' and inserting ''section 7706''.

(15) Section 162(l)(1)(D) is amended by striking ''section 152(f)(1)'' and inserting ''section 7706(f)(1)''.

(16) Section 170(g)(1) is amended by striking ''section 152'' and inserting ''section 7706''.

(17) Section 170(g)(3) is amended by striking ''section 152(d)(2)'' and inserting ''section 7706(d)(2)''.

(18) Section 172(d) is amended by striking paragraph (3).

(19) Section 220(b)(6) is amended by striking ''with respect to whom a deduction under section 151 is allowable to'' and inserting ''who is a dependent of''.

(20) Section 220(d)(2)(A) is amended by striking ''section 152'' and inserting ''section 7706''.

(21) Section 223(b)(6) is amended by striking ''with respect to whom a deduction under section 151 is allowable to'' and inserting ''who is a dependent of''.

(22) Section 223(d)(2)(A) is amended by striking ''section 152'' and inserting ''section 7706''.

(23) Section 401(h) is amended by striking ''section 152(f)(1)'' in the last sentence and inserting ''section 7706(f)(1)''.

(24) Section 402(l)(4)(D) is amended by striking ''section 152'' and inserting ''section 7706''.

(25) Section 409A(a)(2)(B)(ii)(I) is amended by striking ''section 152(a)'' and inserting ''section 7706(a)''.

(26) Section 501(c)(9) is amended by striking ''section 152(f)(1)'' and inserting ''section 7706(f)(1)''.

(27) Section 529(e)(2)(B) is amended by striking ''section 152(d)(2)'' and inserting ''section 7706(d)(2)''.

(28) Section 703(a)(2) is amended by striking subparagraph (A) and by redesignating subparagraphs (B) through (F) as subparagraphs (A) through (E), respectively.

(29) Section 874 is amended by striking subsection (b) and by redesignating subsection (c) as subsection (b).

(30) Section 891 is amended by striking ''under section 151 and''.

(31) Section 904(b) is amended by striking paragraph (1).

(32) Section 931(b)(1) is amended by striking ''(other than the deduction under section 151, relating to personal exemptions)''.

(33) Section 933 is amended—

(A) by striking ''(other than the deduction under section 151, relating to personal exemptions)'' in paragraph (1), and

(B) by striking ''(other than the deduction for personal exemptions under section 151)'' in paragraph (2).

(34) Section 1212(b)(2)(B)(ii) is amended to read as follows:

''(ii) in the case of an estate or trust, the deduction allowed for such year under section 642(b).''.

(35) Section 1361(c)(1)(C) is amended by striking ''section 152(f)(1)(C)'' and inserting ''section 7706(f)(1)(C)''.

(36) Section 1402(a) is amended by striking paragraph (7).

(37) Section 2032A(c)(7)(D) is amended by striking ''section 152(f)(2)'' and inserting ''section 7706(f)(2)''.

(38) Section 3402(m)(1) is amended by striking ''other than the deductions referred to in section 151 and''.

(39) Section 3402(r)(2) is amended by striking ''the sum of—'' and all that follows and inserting ''the standard deduction in effect under section 63(c)(1)(B).''.

(40) Section 5000A(b)(3)(A) is amended by striking ''section 152'' and inserting ''section 7706''.

(41) Section 5000A(c)(4)(A) is amended by striking ''the number of individuals for whom the taxpayer is allowed a deduction under section 151 (relating to allowance of deduction for personal exemptions) for the taxable year'' and inserting ''the sum of 1 (2 in the case of a joint return) plus the number of the taxpayer's dependents for the taxable year''.

(42) Section 6013(b)(3)(A) is amended—

(A) by striking ''had less than the exemption amount of gross income'' in clause (ii) and inserting ''had no gross income'',

(B) by striking ''had gross income of the exemption amount or more'' in clause (iii) and inserting ''had any gross income'', and

(C) by striking the flush language following clause (iii).

(43) Section 6103(l)(21)(A)(iii) is amended to read as follows:

''(iii) the number of the taxpayer's dependents,''.

(44) Section 6213(g)(2) is amended by striking subparagraph (H).

(45) Section 6334(d)(2) is amended to read as follows:

''(2) EXEMPT AMOUNT.—

''(A) IN GENERAL.—For purposes of paragraph (1), the term 'exempt amount' means an amount equal to—

''(i) the standard deduction, divided by

''(ii) 52.

''(B) VERIFIED STATEMENT.—Unless the taxpayer submits to the Secretary a written and properly verified statement specifying the facts necessary to determine the proper amount under subparagraph (A), subparagraph (A) shall be applied as if the taxpayer were a married individual filing a separate return with no dependents.''.

(46) Section 7702B(f)(2)(C)(iii) is amended by striking ''section 152(d)(2)'' and inserting ''section 7706(d)(2)''.

(47) Section 7703(a) is amended by striking ''part V of subchapter B of chapter 1 and''.

(48) Section 7703(b)(1) is amended by striking ''section 152(f)(1)'' and all that follows and inserting ''section 7706(f)(1),''.

(49) Section 7706(a), as redesignated by this section, is amended by striking ''this subtitle'' and inserting ''subtitle A''.

(50)(A) Section 7706(d)(1)(B), as redesignated by this section, is amended by striking ''the exemption amount (as defined in section 151(d))'' and inserting ''$4,150''.

(B) Section 7706(d), as redesignated by this section, is amended by adding at the end the following new paragraph:

''(6) INFLATION ADJUSTMENT.—In the case of any calendar year beginning after 2018, the $4,150 amount in paragraph (1)(B) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 2017' for 'calendar year 2016' in clause (ii) thereof.

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

(51) The table of sections for chapter 79 is amended by adding at the end the following new item:

''Sec. 7706. Dependent defined.''.

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

SEC. 1004. MAXIMUM RATE ON BUSINESS INCOME OF INDIVIDUALS.

(a) IN GENERAL.—Part I of subchapter A of chapter 1 is amended by inserting after section 3 the following new section:

''SEC. 4. 25 PERCENT MAXIMUM RATE ON BUSINESS INCOME OF INDIVIDUALS.

''(a) REDUCTION IN TAX TO ACHIEVE 25 PERCENT MAXIMUM RATE.—The tax imposed by section 1 shall be reduced by the sum of—

''(1) 10 percent of the lesser of—

''(A) qualified business income, or

''(B) the excess (if any) of—

''(i) taxable income reduced by net capital gain (as defined in section 1(h)(11)(A)), over

''(ii) the maximum dollar amount for the 25-percent rate bracket which applies to the taxpayer under section 1 for the taxable year, and

''(2) 4.6 percent of the excess (if any) of—

''(A) the lesser of—

''(i) qualified business income, or

''(ii) the excess (if any) determined under paragraph (1)(B), over

''(B) the excess of—

''(i) the maximum dollar amount for the 35-percent rate bracket which applies to the taxpayer under section 1 for the taxable year, over

''(ii) the maximum dollar amount for the 25-percent rate bracket which applies to the taxpayer under section 1 for the taxable year.

''(b) QUALIFIED BUSINESS INCOME.—For purposes of this section, the term 'qualified business income' means the excess (if any) of—

''(1) the sum of—

''(A) 100 percent of any net business income derived from any passive business activity, plus

''(B) the capital percentage of any net business income derived from any active business activity, over

''(2) the sum of—

''(A) 100 percent of any net business loss derived from any passive business activity,

''(B) except as provided in subsection (e)(3)(A), 30 percent of any net business loss derived from any active business activity, plus

''(C) any carryover business loss determined for the preceding taxable year.

''(c) DETERMINATION OF NET BUSINESS INCOME OR LOSS.—For purposes of this section—

''(1) IN GENERAL.—Net business income or loss shall be determined with respect to any business activity by appropriately netting items of income, gain, deduction, and loss with respect to such business activity.

''(2) WAGES, ETC.—Any wages (as defined in section 3401), payments described in subsection (a) or (c) of section 707, or directors' fees received by the taxpayer which are properly attributable to any business activity shall be taken into account under paragraph (1) as an item of income with respect to such business activity.

''(3) EXCEPTION FOR CERTAIN INVESTMENT-RELATED ITEMS.—There shall not be taken into account under paragraph (1)—

''(A) any item of short-term capital gain, short-term capital loss, long-term capital gain, or long-term capital loss,

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

''(C) any interest income other than interest income which is properly allocable to a trade or business,

''(D) any item of gain or loss described in subparagraph (C) or (D) of section 954(c)(1) (applied by substituting 'business activity' for 'controlled foreign corporation'),

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

''(F) any amount received from an annuity which is not received in connection with the trade or business of the business activity, and

''(G) any item of deduction or loss properly allocable to an amount described in any of the preceding subparagraphs.

''(4) APPLICATION OF RESTRICTIONS APPLICABLE TO DETERMINING TAXABLE INCOME.—Net business income or loss shall be appropriately adjusted so as only to take into account any amount of income, gain, deduction, or loss to the extent such amount affects the determination of taxable income for the taxable year.

''(5) CARRYOVER BUSINESS LOSS.—For purposes of subsection (b)(2)(C), the carryover business loss determined for any taxable year is the excess (if any) of the sum described in subsection (b)(2) over the sum described in subsection (b)(1) for such taxable year.

''(d) PASSIVE AND ACTIVE BUSINESS ACTIVITY.—For purposes of this section—

''(1) PASSIVE BUSINESS ACTIVITY.—The term 'passive business activity' means any passive activity as defined in section 469(c) determined without regard to paragraphs (3) and (6)(B) thereof.

''(2) ACTIVE BUSINESS ACTIVITY.—The term 'active business activity' means any business activity which is not a passive business activity.

''(3) BUSINESS ACTIVITY.—The term 'business activity' means any activity (within the meaning of section 469) which involves the conduct of any trade or business.

''(e) CAPITAL PERCENTAGE.—For purposes of this section—

''(1) IN GENERAL.—Except as otherwise provided in this section, the term 'capital percentage' means 30 percent.

''(2) INCREASED PERCENTAGE FOR CAPITAL-INTENSIVE BUSINESS ACTIVITIES.—In the case of a taxpayer who elects the application of this paragraph with respect to any active business activity (other than a specified service activity), the capital percentage shall be equal to the applicable percentage (as defined in subsection (f)) for each taxable year with respect to which such election applies. Any election made under this paragraph shall apply to the taxable year for which such election is made and each of the 4 subsequent taxable years. Such election shall be made not later than the due date (including extensions) for the return of tax for the taxable year for which such election is made, and, once made, may not be revoked.

''(3) TREATMENT OF SPECIFIED SERVICE ACTIVITIES.—

''(A) IN GENERAL.—In the case of any active business activity which is a specified service activity—

''(i) the capital percentage shall be 0 percent, and

''(ii) subsection (b)(2)(B) shall be applied by substituting '0 percent' for '30 percent'.

''(B) EXCEPTION FOR CAPITAL-INTENSIVE SPECIFIED SERVICE ACTIVITIES.—If—

''(i) the taxpayer elects the application of this subparagraph with respect to such activity for any taxable year, and

''(ii) the applicable percentage (as defined in subsection (f)) with respect to such activity for such taxable year is at least 10 percent,

then subparagraph (A) shall not apply and the capital percentage with respect to such activity shall be equal to such applicable percentage.

''(C) SPECIFIED SERVICE ACTIVITY.—The term 'specified service activity' means any activity involving the performance of services described in section 1202(e)(3)(A), including investing, trading, or dealing in securities (as defined in section 475(c)(2)), partnership interests, or commodities (as defined in section 475(e)(2)).

''(4) REDUCTION IN CAPITAL PERCENTAGE IN CERTAIN CASES.—The capital percentage (determined after the application of paragraphs (2) and (3)) with respect to any active business activity shall not exceed 1 minus the quotient (not greater than 1) of—

''(A) any amounts described in subsection (c)(2) which are taken into account in determining the net business income derived from such activity, divided by

''(B) such net business income.

''(f) APPLICABLE PERCENTAGE.—For purposes of this section—

''(1) IN GENERAL.—The term 'applicable percentage' means, with respect to any active business activity for any taxable year, the quotient (not greater than 1) of—

''(A) the specified return on capital with respect to such activity for such taxable year, divided by

''(B) the taxpayer's net business income derived from such activity for such taxable year.

''(2) SPECIFIED RETURN ON CAPITAL.—The term 'specified return on capital' means, with respect to any active business activity referred to in paragraph (1), the excess of—

''(A) the product of—

''(i) the deemed rate of return for the taxable year, multiplied by

''(ii) the asset balance with respect to such activity for such taxable year, over

''(B) an amount equal to the interest which is paid or accrued, and for which a deduction is allowed under this chapter, with respect to such activity for such taxable year.

''(3) DEEMED RATE OF RETURN.—The term 'deemed rate of return' means, with respect to any taxable year, the Federal short-term rate (determined under section 1274(d) for the month in which or with which such taxable year ends) plus 7 percentage points.

''(4) ASSET BALANCE.—

''(A) IN GENERAL.—The asset balance with respect to any active business activity referred to in paragraph (1) for any taxable year equals the taxpayer's adjusted basis of any property described in section 1221(a)(2) which is used in connection with such activity as of the end of the taxable year (determined without regard to sections 168(k) and 179).

''(B) APPLICATION TO ACTIVITIES CARRIED ON THROUGH PARTNERSHIPS AND S CORPORATIONS.—In the case of any active business activity carried on through a partnership or S corporation, the taxpayer shall take into account such taxpayer's distributive or pro rata share (as the case may be) of the asset balance with respect to such activity as determined with respect to such partnership or S corporation under subparagraph (A) (applied by substituting 'the partnership's or S corporation's adjusted basis' for 'the taxpayer's adjusted basis').

''(g) REDUCED RATE FOR SMALL BUSINESSES WITH NET ACTIVE BUSINESS INCOME.—

''(1) IN GENERAL.—The tax imposed by section 1 shall be reduced by 3 percent of the excess (if any) of—

''(A) the least of—

''(i) qualified active business income,

''(ii) taxable income reduced by net capital gain (as defined in section 1(h)(11)(A)), or

''(iii) the 9-percent bracket threshold amount, over

''(B) the excess (if any) of taxable income over the applicable threshold amount.

''(2) PHASE-IN OF RATE REDUCTION.—In the case of any taxable year beginning before January 1, 2022, paragraph (1) shall be applied by substituting for '3 percent'—

''(A) in the case of any taxable year beginning after December 31, 2017, and before January 1, 2020, '1 percent', and

''(B) in the case of any taxable year beginning after December 31, 2019, and before January 1, 2022, '2 percent'.

''(3) QUALIFIED ACTIVE BUSINESS INCOME.—For purposes of this subsection, the term 'qualified active business income' means the excess (if any) of—

''(A) any net business income derived from any active business activity, over

''(B) any net business loss derived from any active business activity.

''(4) 9-PERCENT BRACKET THRESHOLD AMOUNT.—For purposes of this subsection, the term '9-percent bracket threshold amount' means—

''(A) in the case of a joint return or surviving spouse, $75,000,

''(B) in the case of an individual who is the head of a household (as defined in section 2(b)), ¾ of the amount in effect for the taxable year under subparagraph (A), and

''(C) in the case of any other individual, ½ of the amount in effect for the taxable year under subparagraph (A).

''(5) APPLICABLE THRESHOLD AMOUNT.—For purposes of this subsection, the term 'applicable threshold amount' means—

''(A) in the case of a joint return or surviving spouse, $150,000,

''(B) in the case of an individual who is the head of a household (as defined in section 2(b)), ¾ of the amount in effect for the taxable year under subparagraph (A), and

''(C) in the case of any other individual, ½ of the amount in effect for the taxable year under subparagraph (A).

''(6) ESTATES AND TRUSTS.—Paragraph (1) shall not apply to any estate or trust.

''(7) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2018, the dollar amounts in paragraphs (4)(A) and (5)(A) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under subsection (c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in clause (ii) thereof.

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

''(h) REGULATIONS.—The Secretary may issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations or other guidance—

''(1) which ensures that no amount is taken into account under subsection (f)(4) with respect to more than one activity, and

''(2) which treats all specified service activities of the taxpayer as a single business activity for purposes of this section to the extent that such activities would be treated as a single employer under subsection (a) or (b) of section 52 or subsection (m) or (o) of section 414.

''(i) REFERENCES.—Any reference in this title to section 1 shall be treated as including a reference to this section unless the context of such reference clearly indicates otherwise.''.

(b) 25 PERCENT RATE FOR CERTAIN DIVIDENDS OF REAL ESTATE INVESTMENT TRUSTS AND COOPERATIVES.—Section 1(h), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:

''(13) 25 PERCENT RATE FOR CERTAIN DIVIDENDS OF REAL ESTATE INVESTMENT TRUSTS AND COOPERATIVES.—

''(A) IN GENERAL.—For purposes of this subsection, net capital gain (as defined in paragraph (11)) and unrecaptured section 1250 gain (as defined in paragraph (6)) shall each be increased by specified dividend income.

''(B) SPECIFIED DIVIDEND INCOME.—For purposes of this paragraph, the term 'specified dividend income' means—

''(i) in the case of any dividend received from a real estate investment trust, the portion of such dividend which is neither—

''(I) a capital gain dividend (as defined in section 852(b)(3)), nor

''(II) taken into account in determining qualified dividend income (as defined in paragraph (11)), and

''(ii) any dividend which is includible in gross income and which is received from an organization or corporation described in section 501(c)(12) or 1381(a).''.

(c) CLERICAL AMENDMENT.—The table of sections for part I of subchapter A of chapter 1 is amended by inserting after the item relating to section 3 the following new item:

''Sec. 4. 25 percent maximum rate on business income of individuals.''.

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

(e) TRANSITION RULE.—In the case of any taxable year which includes December 31, 2017, the amendment made by subsection (a) shall apply with respect to such taxable year adjusted—

(1) so as to apply with respect to the rates of tax in effect under section 1 of the Internal Revenue Code of 1986 with respect to such taxable year (and so as to achieve a 25 percent effective rate of tax on the business income (determined without regard to paragraph (2)) in the same manner as such amendment applies to taxable years beginning after such date with respect to the rates of tax in effect for such years), and

(2) by reducing the amount of the reduction in tax (as otherwise determined under paragraph (1)) by the amount which bears the same proportion to the amount of such reduction as the number of days in the taxable year which are before January 1, 2018, bears to the number of days in the entire taxable year.

SEC. 1005. CONFORMING AMENDMENTS RELATED TO SIMPLIFICATION OF INDIVIDUAL INCOME TAX RATES.

(a) AMENDMENTS RELATED TO MODIFICATION OF INFLATION ADJUSTMENT.—

(1) Section 32(b)(2)(B)(ii)(II) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins determined by substituting 'calendar year 2008' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins determined by substituting 'calendar year 2008' for 'calendar year 2016' in clause (ii) thereof''.

(2) Section 32(j)(1)(B) is amended—

(A) in the matter preceding clause (i), by striking ''section 1(f)(3)'' and inserting ''section 1(c)(2)(A)'',

(B) in clause (i), by striking ''for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''for 'calendar year 2016' in clause (ii) thereof'', and

(C) in clause (ii), by striking ''for 'calendar year 1992' in subparagraph (B) of such section 1'' and inserting ''for 'calendar year 2016' in clause (ii) thereof''.

(3) Section 36B(b)(3)(A)(ii)(II) is amended by striking ''consumer price index'' and inserting ''C-CPI-U (as defined in section 1(c))''.

(4) Section 41(e)(5)(C) is amended to read as follows:

''(C) COST-OF-LIVING ADJUSTMENT DEFINED.—

''(i) IN GENERAL.—The cost-of-living adjustment for any calendar year is the cost-of-living adjustment for such calendar year determined under section 1(c)(2)(A), by substituting 'calendar year 1987' for 'calendar year 2016' in clause (ii) thereof.

''(ii) SPECIAL RULE WHERE BASE PERIOD ENDS IN A CALENDAR YEAR OTHER THAN 1983 OR 1984.—If the base period of any taxpayer does not end in 1983 or 1984, clause (i) shall be applied by substituting the calendar year in which such base period ends for 1987.''.

(5) Section 42(e)(3)(D)(ii) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 2008' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year by substituting 'calendar year 2008' for 'calendar year 2016' in clause (ii) thereof''.

(6) Section 42(h)(3)(H)(i)(II) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 2001' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year by substituting 'calendar year 2001' for 'calendar year 2016' in clause (ii) thereof''.

(7) Section 45R(d)(3)(B)(ii) is amended by striking ''section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2012' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting '''section 1(c)(2)(A) for such calendar year, determined by substituting ''calendar year 2012'' for ''calendar year 2016'' in clause (ii) thereof' ''.

(8) Section 125(i)(2) is amended—

(A) by striking ''section 1(f)(3) for the calendar year in which the taxable year begins by substituting 'calendar year 2012' for 'calendar year 1992' in subparagraph (B) thereof'' in subparagraph (B) and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins'', and

(B) by striking ''$50'' both places it appears in the last sentence and inserting ''$100''.

(9) Section 162(o)(3) is amended by inserting ''as in effect before enactment of the Tax Cuts and Jobs Act'' after ''section 1(f)(5)''.

(10) Section 220(g)(2) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1997' for 'calendar year 2016' in clause (ii) thereof''.

(11) Section 223(g)(1) is amended by striking all that follows subparagraph (A) and inserting the following:

''(B) the cost-of-living adjustment determined under section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined—

''(i) by substituting for 'calendar year 2016' in clause (ii) thereof—

''(I) except as provided in clause (ii), 'calendar year 1997', and

''(II) in the case of each dollar amount in subsection (c)(2)(A), 'calendar year 2003', and

''(ii) by substituting 'March 31' for 'August 31' in paragraphs (5)(B) and (6)(B) of section 1(c).

The Secretary shall publish the dollar amounts as adjusted under this subsection for taxable years beginning in any calendar year no later than June 1 of the preceding calendar year.''.

(12) Section 430(c)(7)(D)(vii)(II) is amended by striking ''section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2009' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year, determined by substituting 'calendar year 2009' for 'calendar year 2016' in clause (ii) thereof''.

(13) Section 512(d)(2)(B) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 1994' for 'calendar year 1992' in subparagraph (B) thereof''and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 1994' for 'calendar year 2016' in clause (ii) thereof''.

(14) Section 513(h)(2)(C)(ii) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins by substituting 'calendar year 1987' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which

the taxable year begins, determined by substituting 'calendar year 1987' for 'calendar year 2016' in clause (ii) thereof''.

(15) Section 831(b)(2)(D)(ii) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year by substituting 'calendar year 2013' for 'calendar year 2016' in clause (ii) thereof''.

(16) Section 877A(a)(3)(B)(i)(II) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins, by substituting 'calendar year 2007' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2007' for 'calendar year 2016' in clause (ii) thereof''.

(17) Section 911(b)(2)(D)(ii)(II) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting '2004' for '1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2004' for 'calendar year 2016' in clause (ii) thereof''.

(18) Section 1274A(d)(2) is amended to read as follows:

''(2) INFLATION ADJUSTMENT.—

''(A) IN GENERAL.—In the case of any debt instrument arising out of a sale or exchange during any calendar year after 2018, each adjusted dollar amount shall be increased by an amount equal to—

''(i) such adjusted dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 2017' for 'calendar year 2016' in clause (ii) thereof.

''(B) ADJUSTED DOLLAR AMOUNTS.—For purposes of this paragraph, the term 'adjusted dollar amount' means the dollar amounts in subsections (b) and (c), in each case as in effect for calendar year 2018.

''(C) ROUNDING.—Any increase under subparagraph (A) shall be rounded to the nearest multiple of $100.''.

(19) Section 2010(c)(3)(B)(ii) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 2010' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 2010' for 'calendar year 2016' in clause (ii) thereof''.

(20) Section 2032A(a)(3)(B) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 1997' for 'calendar year 2016' in clause (ii) thereof''.

(21) Section 2503(b)(2)(B) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year, determined by substituting 'calendar year 1997' for 'calendar year 2016' in clause (ii) thereof''.

(22) Section 4161(b)(2)(C)(i)(II) is amended by striking ''section 1(f)(3) for such calendar year, determined by substituting '2004' for '1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 2004' for 'calendar year 2016' in clause (ii) thereof''.

(23) Section 4261(e)(4)(A)(ii) is amended by striking ''section 1(f)(3) for such calendar year by substituting the year before the last nonindexed year for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year, determined by substituting the year before the last nonindexed year for 'calendar year 2016' in clause (ii) thereof''.

(24) Section 4980I(b)(3)(C)(v)(II) is amended—

(A) by striking ''section 1(f)(3)'' and inserting ''section 1(c)(2)(A)'',

(B) by striking ''subparagraph (B)'' and inserting ''clause (ii)'', and

(C) by striking ''1992'' and inserting ''2016''.

(25) Section 5000A(c)(3)(D)(ii) is amended—

(A) by striking ''section 1(f)(3)'' and inserting ''section 1(c)(2)(A)'',

(B) by striking ''subparagraph (B)'' and inserting ''clause (ii)'', and

(C) by striking ''1992'' and inserting ''2016''.

(26) Section 6039F(d) is amended by striking ''section 1(f)(3), except that subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A), except that clause (ii) thereof''.

(27) Section 6323(i)(4)(B) is amended by striking ''section 1(f)(3) for the calendar year, determined by substituting 'calendar year 1996' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year, determined by substituting 'calendar year 1996' for 'calendar year 2016' in clause (ii) thereof''.

(28) Section 6334(g)(1)(B) is amended by striking ''section 1(f)(3) for such calendar year, by substituting 'calendar year 1998' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 1999' for 'calendar year 2016' in clause (ii) thereof''.

(29) Section 6601(j)(3)(B) is amended by striking ''section 1(f)(3) for such calendar year by substituting 'calendar year 1997' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for such calendar year by substituting 'calendar year 1997' for 'calendar year 2016' in clause (ii) thereof''.

(30) Section 6651(i)(1) is amended by striking ''section 1(f)(3) determined by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) determined by substituting 'calendar year 2013' for 'calendar year 2016' in clause (ii) thereof''.

(31) Section 6721(f)(1) is amended—

(A) by striking ''section 1(f)(3)'' and inserting ''section 1(c)(2)(A)'',

(B) by striking ''subparagraph (B)'' and inserting ''clause (ii)'', and

(C) by striking ''1992'' and inserting ''2016''.

(32) Section 6722(f)(1) is amended—

(A) by striking ''section 1(f)(3)'' and inserting ''section 1(c)(2)(A)'',

(B) by striking ''subparagraph (B)'' and inserting ''clause (ii)'', and

(C) by striking ''1992'' and inserting ''2016''.

(33) Section 6652(c)(7)(A) is amended by striking ''section 1(f)(3) determined by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) determined by substituting 'calendar year 2013' for 'calendar year 2016' in clause (ii) thereof''.

(34) Section 6695(h)(1) is amended by striking ''section 1(f)(3) determined by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) determined by substituting 'calendar year 2013' for 'calendar year 2016' in clause (ii) thereof''.

(35) Section 6698(e)(1) is amended by striking ''section 1(f)(3) determined by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) determined by substituting 'calendar year 2013' for 'calendar year 2016' in clause (ii) thereof''.

(36) Section 6699(e)(1) is amended by striking ''section 1(f)(3) determined by substituting 'calendar year 2013' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) determined by substituting 'calendar year 2013' for 'calendar year 2016' in clause (ii) thereof''.

(37) Section 7345(f)(2) is amended by striking ''section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2015' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year, determined by substituting 'calendar year 2015' for 'calendar year 2016' in clause (ii) thereof''.

(38) Section 7430(c)(1) is amended by striking ''section 1(f)(3) for such calendar year, by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof'' in the flush text at the end and inserting ''section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 1995' for 'calendar year 2016' in clause (ii) thereof''.

(39) Section 7872(g)(5) is amended to read as follows:

''(5) INFLATION ADJUSTMENT.—

''(A) IN GENERAL.—In the case of any loan made during any calendar year after 2018 to which paragraph (1) applies, the adjusted dollar amount shall be increased by an amount equal to—

''(i) such adjusted dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(c)(2)(A) for such calendar year, determined by substituting 'calendar year 2017' for 'calendar year 2016' in clause (ii) thereof.

''(B) ADJUSTED DOLLAR AMOUNT.—For purposes of this paragraph, the term 'adjusted dollar amount' means the dollar amount in paragraph (2) as in effect for calendar year 2018.

''(C) ROUNDING.—Any increase under subparagraph (A) shall be rounded to the nearest multiple of $100.''.

(40) Section 219(b)(5)(C)(i)(II) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2007' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2007' for 'calendar year 2016' in clause (ii) thereof''.

(41) Section 219(g)(8)(B) is amended by striking ''section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2005' for 'calendar year 1992' in subparagraph (B) thereof'' and inserting ''section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2005' for 'calendar year 2016' in clause (ii) thereof''.

(b) OTHER CONFORMING AMENDMENTS.—

(1) Section 36B(b)(3)(B)(ii)(I)(aa) is amended to read as follows:

''(aa) who is described in section 1(b)(1)(B) and who does not have any dependents for the taxable year,''.

(2) Section 486B(b)(1) is amended—

(A) by striking ''maximum rate in effect'' and inserting ''highest rate specified'', and

(B) by striking ''section 1(e)'' and inserting ''section 1''.

(3) Section 511(b)(1) is amended by striking ''section 1(e)'' and inserting ''section 1''.

(4) Section 641(a) is amended by striking ''section 1(e) shall apply to the taxable income'' and inserting ''section 1 shall apply to the taxable income''.

(5) Section 641(c)(2)(A) is amended to read as follows:

''(A) Except to the extent provided in section 1(h), the rate of tax shall be treated as being the highest rate of tax set forth in section 1(a).''.

(6) Section 646(b) is amended to read as follows:

''(b) TAXATION OF INCOME OF TRUST.—Except as provided in subsection (f)(1)(B)(ii), there is hereby imposed on the taxable income of an electing Settlement Trust a tax at the rate specified in section 1(a)(1). Such tax shall be in lieu of the income tax otherwise imposed by this chapter on such income.''.

(7) Section 685(c) is amended by striking ''Section 1(e)'' and inserting ''Section 1''.

(8) Section 904(b)(3)(E)(ii)(I) is amended by striking ''set forth in subsection (a), (b), (c), (d),

or (e) of section 1 (whichever applies)'' and inserting ''the highest rate of tax specified in section 1''.

(9) Section 1398(c)(2) is amended by striking ''subsection (d) of''.

(10) Section 3402(p)(1)(B) is amended by striking ''any percentage applicable to any of the 3 lowest income brackets in the table under section 1(c),'' and inserting ''12 percent, 25 percent,''.

(11) Section 3402(q)(1) is amended by striking ''the product of third lowest rate of tax applicable under section 1(c) and'' and inserting ''25 percent of''.

(12) Section 3402(r)(3) is amended by striking ''the amount of tax which would be imposed by section 1(c) (determined without regard to any rate of tax in excess of the fourth lowest rate of tax applicable under section 1(c)) on an amount of taxable income equal to'' and inserting ''an amount equal to the product of 25 percent multiplied by''.

(13) Section 3406(a)(1) is amended by striking ''the product of the fourth lowest rate of tax applicable under section 1(c) and'' and inserting ''25 percent of''.

(14) Section 6103(e)(1)(A)(iii) is amended by inserting ''(as in effect on the day before the date of the enactment of the Tax Cuts and Jobs Act)'' after ''section 1(g)''.

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

Subtitle B—Simplification and Reform of Family and Individual Tax Credits

SEC. 1101. ENHANCEMENT OF CHILD TAX CREDIT AND NEW FAMILY TAX CREDIT.

(a) INCREASE IN CREDIT AMOUNT AND ADDITION OF OTHER DEPENDENTS.—

(1) IN GENERAL.—Section 24(a) is amended to read as follows:

''(a) ALLOWANCE OF CREDIT.—There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(1) with respect to each qualifying child of the taxpayer, $1,600, and

''(2) for taxable years beginning before January 1, 2023, with respect to the taxpayer (each spouse in the case of a joint return) and each dependent of the taxpayer to whom paragraph (1) does not apply, $300.''.

(2) CONFORMING AMENDMENTS.—

(A) Section 24(c) is amended—

(i) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively,

(ii) by striking ''152(c)'' in paragraph (2) (as so redesignated) and inserting ''7706(c)'',

(iii) by inserting before paragraph (2) (as so redesignated) the following new paragraph:

''(1) DEPENDENT.—

''(A) IN GENERAL.—The term 'dependent' shall have the meaning given such term by section 7706.

''(B) CERTAIN INDIVIDUALS NOT TREATED AS DEPENDENTS.—In the case of an individual with respect to whom a credit under this section is allowable to another taxpayer for a taxable year beginning in the calendar year in which the individual's taxable year begins, the amount applicable to such individual under subsection (a) for such individual's taxable year shall be zero.'',

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

(I) by striking ''term 'qualifying child''' and inserting ''terms 'qualifying child' and 'dependent''', and

(II) by striking ''152(b)(3)'' and inserting ''7706(b)(3)'', and

(v) in the heading by striking ''QUALIFYING'' and inserting ''DEPENDENT; QUALIFYING''.

*(B) The heading for section 24 is amended by inserting ''**AND FAMILY**'' after ''**CHILD**''.*

(C) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 24 and inserting the following new item:

''Sec. 24. Child and family tax credit.''.

(b) ELIMINATION OF MARRIAGE PENALTY.—Section 24(b)(2) is amended—

(1) by striking ''$110,000'' in subparagraph (A) and inserting ''$230,000'',

(2) by inserting ''and'' at the end of subparagraph (A),

(3) by striking ''$75,000 in the case of an individual who is not married'' and all that follows through the period at the end and inserting ''one-half of the amount in effect under subparagraph (A) for the taxable year in the case of any other individual.''.

(c) CREDIT REFUNDABLE UP TO $1,000 PER CHILD.—

(1) IN GENERAL.—Section 24(d)(1)(A) is amended by striking all that follows ''under this section'' and inserting the following: ''determined—

''(i) without regard to this subsection and the limitation under section 26(a),

''(ii) without regard to subsection (a)(2), and

''(iii) by substituting '$1,000' for '$1,600' in subsection (a)(1), or''.

(2) INFLATION ADJUSTMENT.—Section 24(d) is amended by inserting after paragraph (2) the following new paragraph:

''(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2017, the $1,000 amount in paragraph (1)(A)(iii) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment under section 1(c)(2)(A) for such calendar year.

Any increase determined under the preceding sentence shall be rounded to the next highest multiple of $100 and shall not exceed the amount in effect under subsection (a)(2).''.

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

SEC. 1102. REPEAL OF NONREFUNDABLE CREDITS.

(a) REPEAL OF SECTION 22.—

(1) IN GENERAL.—Subpart A of part IV of subchapter A of chapter 1 is amended by striking section 22 (and by striking the item relating to such section in the table of sections for such subpart).

(2) CONFORMING AMENDMENT.—

(A) Section 86(f) is amended by striking paragraph (1) and by redesignating paragraphs (2), (3), and (4) as paragraphs (1), (2), and (3), respectively.

(B)(i) Subsections (c)(3)(B) and (d)(4)(A) of section 7706, as redesignated by this Act, are each amended by striking ''(as defined in section 22(e)(3)''.

(ii) Section 7706(f), as redesignated by this Act, is amended by redesignating paragraph (7) as paragraph (8) and by inserting after paragraph (6) the following new paragraph:

''(7) PERMANENT AND TOTAL DISABILITY DEFINED.—An individual is permanently and totally disabled if he is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months. An individual shall not be considered to be permanently and totally disabled unless he furnishes proof of the existence thereof in such form and manner, and at such times, as the Secretary may require.''.

(iii) Section 415(c)(3)(C)(i) is amended by striking ''22(e)(3)'' and inserting ''7706(f)(7)''.

(iv) Section 422(c)(6) is amended by striking ''22(e)(3)'' and inserting ''7706(f)(7)''.

(b) TERMINATION OF SECTION 25.—Section 25, as amended by section 3601, is amended by adding at the end the following new subsection:

''(k) TERMINATION.—No credit shall be allowed under this section with respect to any mortgage credit certificate issued after December 31, 2017.''.

(c) REPEAL OF SECTION 30D.—

(1) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by striking section 30D (and by striking the item relating to such section in the table of sections for such subpart).

(2) CONFORMING AMENDMENTS.—

(A) Section 38(b) is amended by striking paragraph (35).

(B) Section 1016(a) is amended by striking paragraph (37).

(C) Section 6501(m) is amended by striking ''30D(e)(4),''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) SUBSECTION (b).—The amendment made by subsection (c) shall apply to taxable years ending after December 31, 2017.

(3) SUBSECTION (c).—The amendments made by subsection (d) shall apply to vehicles placed in service in taxable years beginning after December 31, 2017.

SEC. 1103. REFUNDABLE CREDIT PROGRAM INTEGRITY.

(a) IDENTIFICATION REQUIREMENTS FOR CHILD AND FAMILY TAX CREDIT.—

(1) IN GENERAL.—Section 24(e) is amended to read as follows:

''(e) IDENTIFICATION REQUIREMENTS.—

''(1) REQUIREMENTS FOR QUALIFYING CHILD.—No credit shall be allowed under this section to a taxpayer with respect to any qualifying child unless the taxpayer includes the name and social security number of such qualifying child on the return of tax for the taxable year. The preceding sentence shall not prevent a qualifying child from being treated as a dependent described in subsection (a)(2).

''(2) OTHER IDENTIFICATION REQUIREMENTS.—No credit shall be allowed under this section with respect to any individual unless the taxpayer identification number of such individual is included on the return of tax for the taxable year and such identifying number was issued before the due date for filing the return for the taxable year.

''(3) SOCIAL SECURITY NUMBER.—For purposes of this subsection, the term 'social security number' means a social security number issued by the Social Security Administration (but only if the social security number is issued to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act)).''.

(2) OMISSIONS TREATED AS MATHEMATICAL OR CLERICAL ERROR.—

(A) IN GENERAL.—Section 6213(g)(2)(I) is amended to read as follows:

''(I) an omission of a correct social security number, or a correct TIN, required under section 24(e) (relating to child tax credit), to be included on a return,''.

(b) SOCIAL SECURITY NUMBER MUST BE PROVIDED.—

(1) IN GENERAL.—Section 25A(f)(1)(A), as amended by section 1201 of this Act, is amended by striking ''taxpayer identification number'' each place it appears and inserting ''social security number''.

(2) OMISSION TREATED AS MATHEMATICAL OR CLERICAL ERROR.—Section 6213(g)(2)(J) is amended by striking ''TIN'' and inserting ''social security number and employer identification number''.

(c) INDIVIDUALS PROHIBITED FROM ENGAGING IN EMPLOYMENT IN UNITED STATES NOT ELIGIBLE FOR EARNED INCOME TAX CREDIT.—Section 32(m) is amended—

(1) by striking ''(other than:'' and all that follows through ''of the Social Security Act)'', and

(2) by inserting before the period at the end the following: '', but only if, in the case of subsection (c)(1)(E), the social security number is issued to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause (I)) of section 205(c)(2)(B)(i) of the Social Security Act''.

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

SEC. 1104. PROCEDURES TO REDUCE IMPROPER CLAIMS OF EARNED INCOME CREDIT.

(a) CLARIFICATION REGARDING DETERMINATION OF SELF-EMPLOYMENT INCOME WHICH IS TREATED AS EARNED INCOME.—Section 32(c)(2)(B) is amended by striking ''and'' at the end of clause (v), by striking the period at the end of clause (vi) and inserting '', and'', and by adding at the end the following new clause:

''(vii) in determining the taxpayer's net earnings from self-employment under subparagraph (A)(ii) there shall not fail to be taken into account any deduction which is allowable to the taxpayer under this subtitle.''.

(b) REQUIRED QUARTERLY REPORTING OF WAGES OF EMPLOYEES.—Section 6011 is amended by adding at the end the following new subsection:

''(i) EMPLOYER REPORTING OF WAGES.—Every person required to deduct and withhold from an employee a tax under section 3101 or 3402 shall include on each return or statement submitted with respect to such tax, the name and address of such employee and the amount of wages for such employee on which such tax was withheld.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) REPORTING.—The Secretary of the Treasury, or his designee, may delay the application of the amendment made by subsection (b) for such period as such Secretary (or designee) determines to be reasonable to allow persons adequate time to modify electronic (or other) systems to permit such person to comply with the requirements of such amendment.

SEC. 1105. CERTAIN INCOME DISALLOWED FOR PURPOSES OF THE EARNED INCOME TAX CREDIT.

(a) SUBSTANTIATION REQUIREMENT.—Section 32 is amended by adding at the end the following new subsection:

''(n) INCONSISTENT INCOME REPORTING.—If the earned income of a taxpayer claimed on a return for purposes of this section is not substantiated by statements or returns under sections 6051, 6052, 6041(a), or 6050W with respect to such taxpayer, the Secretary may require such taxpayer to provide books and records to substantiate such income, including for the purpose of preventing fraud.''.

(b) EXCLUSION OF UNSUBSTANTIATED AMOUNT FROM EARNED INCOME.—Section 32(c)(2) is amended by adding at the end the following new subparagraph:

''(C) EXCLUSION.—In the case of a taxpayer with respect to which there is an inconsistency described in subsection (n) who fails to substantiate such inconsistency to the satisfaction of the Secretary, the term 'earned income' shall not include amounts to the extent of such inconsistency.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

Subtitle C—Simplification and Reform of Education Incentives

SEC. 1201. AMERICAN OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Section 25A is amended to read as follows:

''SEC. 25A. AMERICAN OPPORTUNITY TAX CREDIT.

''(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of—

''(1) 100 percent of so much of the qualified tuition and related expenses paid by the taxpayer during the taxable year (for education furnished to any eligible student for whom an election is in effect under this section for such taxable year during any academic period beginning in such taxable year) as does not exceed $2,000, plus

''(2) 25 percent of so much of such expenses so paid as exceeds the dollar amount in effect under paragraph (1) but does not exceed twice such dollar amount.

''(b) PORTION OF CREDIT REFUNDABLE.—40 percent of the credit allowable under subsection (a)(1) (determined without regard to this subsection and section 26(a) and after application of all other provisions of this section) shall be treated as a credit allowable under subpart C (and not under this part). The preceding sentence shall not apply to any taxpayer for any taxable year if such taxpayer is a child to whom section 1(d) applies for such taxable year.

''(c) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—The amount allowable as a credit under subsection (a) for any taxable year shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowable (determined without regard to this subsection and subsection (b) but after application of all other provisions of this section) as—

''(A) the excess of—

''(i) the taxpayer's modified adjusted gross income for such taxable year, over

''(ii) $80,000 (twice such amount in the case of a joint return), bears to

''(B) $10,000 (twice such amount in the case of a joint return).

''(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

''(d) OTHER LIMITATIONS.—

''(1) CREDIT ALLOWED ONLY FOR 5 TAXABLE YEARS.—An election to have this section apply may not be made for any taxable year if such an election (by the taxpayer or any other individual) is in effect with respect to such student for any 5 prior taxable years.

''(2) CREDIT ALLOWED ONLY FOR FIRST 5 YEARS OF POSTSECONDARY EDUCATION.—

''(A) IN GENERAL.—No credit shall be allowed under subsection (a) for a taxable year with respect to the qualified tuition and related expenses of an eligible student if the student has completed (before the beginning of such taxable year) the first 5 years of postsecondary education at an eligible educational institution.

''(B) FIFTH YEAR LIMITATIONS.—In the case of an eligible student with respect to whom an election has been in effect for 4 preceding taxable years for purposes of the fifth taxable year—

''(i) the amount of the credit allowed under this section for the taxable year shall not exceed an amount equal to 50 percent of the credit otherwise determined with respect to such student under this section (without regard to this subparagraph), and

''(ii) the amount of the credit determined under subsection (b) and allowable under subpart C shall not exceed an amount equal to 40 percent of the amount determined with respect to such student under clause (i).

''(e) DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE STUDENT.— The term 'eligible student' means, with respect to any academic period, a student who—

''(A) meets the requirements of section 484(a)(1) of the Higher Education Act of 1965 (20 U.S.C. 1091(a)(1)), as in effect on August 5, 1997, and

''(B) is carrying at least ½ the normal full-time work load for the course of study the student is pursuing.

''(2) QUALIFIED TUITION AND RELATED EXPENSES.—

''(A) IN GENERAL.—The term 'qualified tuition and related expenses' means tuition, fees, and course materials, required for enrollment or attendance of—

''(i) the taxpayer,

''(ii) the taxpayer's spouse, or

''(iii) any dependent of the taxpayer,

at an eligible educational institution for courses of instruction of such individual at such institution.

''(B) EXCEPTION FOR EDUCATION INVOLVING SPORTS, ETC.—Such term does not include expenses with respect to any course or other education involving sports, games, or hobbies, unless such course or other education is part of the individual's degree program.

''(C) EXCEPTION FOR NONACADEMIC FEES.—Such term does not include student activity fees, athletic fees, insurance expenses, or other expenses unrelated to an individual's academic course of instruction.

''(3) ELIGIBLE EDUCATIONAL INSTITUTION.—The term 'eligible educational institution' means an institution—

''(A) which is described in section 481 of the Higher Education Act of 1965 (20 U.S.C. 1088), as in effect on August 5, 1997, and

''(B) which is eligible to participate in a program under title IV of such Act.

''(f) SPECIAL RULES.—

''(1) IDENTIFICATION REQUIREMENTS.—

''(A) STUDENT.—No credit shall be allowed under subsection (a) to a taxpayer with respect to the qualified tuition and related expenses of an individual unless the taxpayer includes the name and taxpayer identification number of such individual on the return of tax for the taxable year, and such taxpayer identification number was issued on or before the due date for filing such return.

''(B) TAXPAYER.—No credit shall be allowed under this section if the identifying number of the taxpayer was issued after the due date for filing the return for the taxable year.

''(C) INSTITUTION.—No credit shall be allowed under this section unless the taxpayer includes the employer identification number of any institution to which qualified tuition and related expenses were paid with respect to the individual.

''(2) ADJUSTMENT FOR CERTAIN SCHOLARSHIPS, ETC.—The amount of qualified tuition and related expenses otherwise taken into account under subsection (a) with respect to an individual for an academic period shall be reduced (before the application of subsection (c)) by the sum of any amounts paid for the benefit of such individual which are allocable to such period as—

''(A) a qualified scholarship which is excludable from gross income under section 117,

''(B) an educational assistance allowance under chapter 30, 31, 32, 34, or 35 of title 38, United States Code, or under chapter 1606 of title 10, United States Code, and

''(C) a payment (other than a gift, bequest, devise, or inheritance within the meaning of section 102(a)) for such individual's educational expenses, or attributable to such individual's enrollment at an eligible educational institution, which is excludable from gross income under any law of the United States.

''(3) TREATMENT OF EXPENSES PAID BY DEPENDENT.—If an individual is a dependent of another taxpayer for a taxable year beginning in the calendar year in which such individuals taxable year begins—

''(A) no credit shall be allowed under subsection (a) to such individual for such individual's taxable year, and

''(B) qualified tuition and related expenses paid by such individual during such individual's taxable year shall be treated for purposes of this section as paid by such other taxpayer.

''(4) TREATMENT OF CERTAIN PREPAYMENTS.—If qualified tuition and related expenses are paid by the taxpayer during a taxable year for an academic period which begins during the first 3 months following such taxable year, such academic period shall be treated for purposes of this section as beginning during such taxable year.

''(5) DENIAL OF DOUBLE BENEFIT.—No credit shall be allowed under this section for any

amount for which a deduction is allowed under any other provision of this chapter.

''(6) NO CREDIT FOR MARRIED INDIVIDUALS FILING SEPARATE RETURNS.—If the taxpayer is a married individual (within the meaning of section 7703), this section shall apply only if the taxpayer and the taxpayer's spouse file a joint return for the taxable year.

''(7) NONRESIDENT ALIENS.—If the taxpayer is a nonresident alien individual for any portion of the taxable year, this section shall apply only if such individual is treated as a resident alien of the United States for purposes of this chapter by reason of an election under subsection (g) or (h) of section 6013.

''(8) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDIT IN PRIOR YEAR.—

''(A) TAXPAYERS MAKING PRIOR FRAUDULENT OR RECKLESS CLAIMS.—

''(i) IN GENERAL.—No credit shall be allowed under this section for any taxable year in the disallowance period.

''(ii) DISALLOWANCE PERIOD.—For purposes of clause (i), the disallowance period is—

''(I) the period of 10 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section was due to fraud, and

''(II) the period of 2 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section was due to reckless or intentional disregard of rules and regulations (but not due to fraud).

''(B) TAXPAYERS MAKING IMPROPER PRIOR CLAIMS.—In the case of a taxpayer who is denied credit under this section for any taxable year as a result of the deficiency procedures under subchapter B of chapter 63, no credit shall be allowed under this section for any subsequent taxable year unless the taxpayer provides such information as the Secretary may require to demonstrate eligibility for such credit.

''(g) INFLATION ADJUSTMENT.—

''(1) IN GENERAL.—In the case of a taxable year beginning after 2018, the $80,000 amount in subsection (c)(1)(A)(ii) shall each be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(c)(2)(A) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in clause (ii) thereof.

''(2) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $1,000, such amount shall be rounded to the next lowest multiple of $1,000.

''(h) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out this section, including regulations providing for a recapture of the credit allowed under this section in cases where there is a refund in a subsequent taxable year of any amount which was taken into account in determining the amount of such credit.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 72(t)(7)(B) is amended by striking ''section 25A(g)(2)'' and inserting ''section 25A(f)(2)''.

(2) Section 529(c)(3)(B)(v)(I) is amended by striking ''section 25A(g)(2)'' and inserting ''section 25A(f)(2)''.

(3) Section 529(e)(3)(B)(i) is amended by striking ''section 25A(b)(3)'' and inserting ''section 25A(d)''.

(4) Section 530(d)(2)(C) is amended—

(A) by striking ''section 25A(g)(2)'' in clause (i)(I) and inserting ''section 25A(f)(2)'', and

(B) by striking ''HOPE AND LIFETIME LEARNING CREDITS'' in the heading and inserting ''AMERICAN OPPORTUNITY TAX CREDIT''.

(5) Section 530(d)(4)(B)(iii) is amended by striking ''section 25A(g)(2)'' and inserting ''section 25A(d)(4)(B)''.

(6) Section 6050S(e) is amended by striking ''subsection (g)(2)'' and inserting ''subsection (f)(2)''.

(7) Section 6211(b)(4)(A) is amended by striking ''subsection (i)(6)'' and inserting ''subsection (b)''.

(8) Section 6213(g)(2)(J) is amended by striking ''TIN required under section 25A(g)(1)'' and inserting ''TIN, and employer identification number, required under section 25A(f)(1)''.

(9) Section 6213(g)(2)(Q) is amended to read as follows:

''(Q) an omission of information required by section 25A(f)(8)(B) or an entry on the return claiming the credit determined under section 25A(a) for a taxable year for which the credit is disallowed under section 25A(f)(8)(A).''.

(10) Section 1004(c) of division B of the American Recovery and Reinvestment Tax Act of 2009 is amended—

(A) in paragraph (1)—

(i) by striking ''section 25A(i)(6)'' each place it appears and inserting ''section 25A(b)'', and

(ii) by striking ''with respect to taxable years beginning after 2008 and before 2018'' each place it appears and inserting ''with respect to each taxable year'',

(B) in paragraph (2), by striking ''Section 25A(i)(6)'' and inserting ''Section 25A(b)'', and

(C) in paragraph (3)(C), by striking ''subsection (i)(6)'' and inserting ''subsection (b)''.

(11) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by striking the item relating to section 25A and inserting the following new item:

''Sec. 25A. American opportunity tax credit.''.

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

SEC. 1202. CONSOLIDATION OF EDUCATION SAVINGS RULES.

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

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

(b) LIMITED DISTRIBUTION ALLOWED FOR ELEMENTARY AND SECONDARY TUITION.—

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

''(7) TREATMENT OF ELEMENTARY AND SECONDARY TUITION.—Any reference in this subsection to the term 'qualified higher education expense' shall include a reference to expenses for tuition in connection with enrollment at an elementary or secondary school.''.

(2) LIMITATION.—Section 529(e)(3)(A) is amended by adding at the end the following: ''The amount of cash distributions from all qualified tuition programs described in subsection (b)(1)(A)(ii) with respect to a beneficiary during any taxable year, shall, in the aggregate, include not more than $10,000 in expenses for tuition incurred during the taxable year in connection with the enrollment or attendance of the beneficiary as an elementary or secondary school student at a public, private, or religious school.''.

(c) ROLLOVERS TO QUALIFIED TUITION PROGRAMS PERMITTED.—Section 530(d)(5) is amended by inserting '', or into (by purchase or contribution) a qualified tuition program (as defined in section 529),'' after ''into another Coverdell education savings account''.

(d) DISTRIBUTIONS FROM QUALIFIED TUITION PROGRAMS FOR CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—Section 529(e)(3) is amended by adding at the end the following new subparagraph:

''(C) CERTAIN EXPENSES ASSOCIATED WITH REGISTERED APPRENTICESHIP PROGRAMS.—The term 'qualified higher education expenses' shall include books, supplies, and equipment required for the enrollment or attendance of a designated beneficiary in an apprenticeship program registered and certified with the Secretary of Labor under section 1 of the National Apprenticeship Act (29 U.S.C. 50).''.

(e) UNBORN CHILDREN ALLOWED AS ACCOUNT BENEFICIARIES.—Section 529(e) is amended by adding at the end the following new paragraph:

''(6) TREATMENT OF UNBORN CHILDREN.—

''(A) IN GENERAL.—Nothing shall prevent an unborn child from being treated as a designated beneficiary or an individual under this section.

''(B) UNBORN CHILD.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'unborn child' means a child in utero.

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

(f) EFFECTIVE DATES.—

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

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

SEC. 1203. REFORMS TO DISCHARGE OF CERTAIN STUDENT LOAN INDEBTEDNESS.

(a) TREATMENT OF STUDENT LOANS DISCHARGED ON ACCOUNT OF DEATH OR DISABILITY.—Section 108(f) is amended by adding at the end the following new paragraph:

''(5) DISCHARGES ON ACCOUNT OF DEATH OR DISABILITY.—

''(A) IN GENERAL.—In the case of an individual, gross income does not include any amount which (but for this subsection) would be includible in gross income by reasons of the discharge (in whole or in part) of any loan described in subparagraph (B) if such discharge was—

''(i) pursuant to subsection (a) or (d) of section 437 of the Higher Education Act of 1965 or the parallel benefit under part D of title IV of such Act (relating to the repayment of loan liability),

''(ii) pursuant to section 464(c)(1)(F) of such Act, or

''(iii) otherwise discharged on account of the death or total and permanent disability of the student.

''(B) LOANS DESCRIBED.—A loan is described in this subparagraph if such loan is—

''(i) a student loan (as defined in paragraph (2)), or

''(ii) a private education loan (as defined in section 140(7) of the Consumer Credit Protection Act (15 U.S.C. 1650(7))).''.

(b) EXCLUSION FROM GROSS INCOME FOR PAYMENTS MADE UNDER INDIAN HEALTH SERVICE LOAN REPAYMENT PROGRAM.—

(1) IN GENERAL.—Section 108(f)(4) is amended by inserting ''under section 108 of the Indian Health Care Improvement Act,'' after ''338I of such Act,''.

(2) CLERICAL AMENDMENT.—The heading for section 108(f)(4) is amended by striking ''AND CERTAIN'' and inserting '', INDIAN HEALTH SERVICE LOAN REPAYMENT PROGRAM, AND CERTAIN''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendment made by subsection (a)(1) shall apply to discharges of indebtedness after December 31, 2017.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to amounts received in taxable years beginning after December 31, 2017.

SEC. 1204. REPEAL OF OTHER PROVISIONS RELATING TO EDUCATION.

(a) IN GENERAL.—Subchapter B of chapter 1 is amended—

(1) in part VII by striking sections 221 and 222 (and by striking the items relating to such sections in the table of sections for such part),

(2) in part VII by striking sections 135 and 127 (and by striking the items relating to such sections in the table of sections for such part), and

(3) by striking subsection (d) of section 117.

(b) CONFORMING AMENDMENT RELATING TO SECTION 221.—

(1) Section 62(a) is amended by striking paragraph (17).

(2) Section 74(d) is amended by striking ''221,''.
(3) Section 86(b)(2)(A) is amended by striking ''221,''.
(4) Section 219(g)(3)(A)(ii) is amended by striking ''221,''.
(5) Section 163(h)(2) is amended by striking subparagraph (F).
(6) Section 6050S(a) is amended—
(A) by inserting ''or'' at the end of paragraph (1),
(B) by striking ''or'' at the end of paragraph (2), and
(C) by striking paragraph (3).
(7) Section 6050S(e) is amended by striking all that follows ''thereof)'' and inserting a period.
(c) CONFORMING AMENDMENTS RELATED TO SECTION 222.—
(1) Section 62(a) is amended by striking paragraph (18).
(2) Section 74(d)(2)(B) is amended by striking ''222,''.
(3) Section 86(b)(2)(A) is amended by striking ''222,''.
(4) Section 219(g)(3)(A)(ii) is amended by striking ''222,''.
(d) CONFORMING AMENDMENTS RELATING TO SECTION 127.—
(1) Section 125(f)(1) is amended by striking ''127,''.
(2) Section 132(j)(8) is amended by striking ''which are not excludable from gross income under section 127''.
(3) Section 414(n)(3)(C) is amended by striking ''127,''.
(4) Section 414(t)(2) is amended by striking ''127,''.
(5) Section 3121(a)(18) is amended by striking ''127,''.
(6) Section 3231(e) is amended by striking paragraph (6).
(7) Section 3306(b)(13) is amended by ''127,''.
(8) Section 3401(a)(18) is amended by striking ''127,''.
(9) Section 6039D(d)(1) is amended by striking '', 127''.
(e) CONFORMING AMENDMENTS RELATING TO SECTION 117(d).—
(1) Section 117(c)(1) is amended—
(A) by striking ''subsections (a) and (d)'' and inserting ''subsection (a)'', and
(B) by striking ''or qualified tuition reduction''.
(2) Section 414(n)(3)(C) is amended by striking ''117(d),''.
(3) Section 414(t)(2) is amended by striking ''117(d),''.
(f) CONFORMING AMENDMENTS RELATED TO SECTION 135.—
(1) Section 74(d)(2)(B) is amended by striking ''135,''.
(2) Section 86(b)(2)(A) is amended by striking ''135,''.
(3) Section 219(g)(3)(A)(ii) is amended by striking ''135,''.
(g) EFFECTIVE DATES.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2017.
(2) AMENDMENTS RELATING TO SECTION 117(d).—The amendments made by subsections (a)(3) and (e) shall apply to amounts paid or incurred after December 31, 2017.

SEC. 1205. ROLLOVERS BETWEEN QUALIFIED TUITION PROGRAMS AND QUALIFIED ABLE PROGRAMS.

(a) ROLLOVERS FROM QUALIFIED TUITION PROGRAMS TO QUALIFIED ABLE PROGRAMS.—Section 529(c)(3)(C)(i) is amended by striking ''or'' at the end of subclause (I), by striking the period at the end of subclause (II) and inserting '', or'', and by adding at the end the following new subclause:

''(III) to an ABLE account (as defined in section 529A(e)(6)) of the designated beneficiary or a member of the family of the designated beneficiary.

Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B).''.
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2017.

Subtitle D—Simplification and Reform of Deductions

SEC. 1301. REPEAL OF OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.

(a) IN GENERAL.—Part 1 of subchapter B of chapter 1 is amended by striking section 68 (and the item relating to such section in the table of sections for such part).
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 1302. MORTGAGE INTEREST.

(a) MODIFICATION OF LIMITATIONS.—
(1) IN GENERAL.—Section 163(h)(3) is amended to read as follows:
''(3) QUALIFIED RESIDENCE INTEREST.—For purposes of this subsection—
''(A) IN GENERAL.—The term 'qualified residence interest' means any interest which is paid or accrued during the taxable year on indebtedness which—
''(i) is incurred in acquiring, constructing, or substantially improving any qualified residence (determined as of the time the interest is accrued) of the taxpayer, and
''(ii) is secured by such residence.
Such term also includes interest on any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this sentence); but only to the extent the amount of the indebtedness resulting from such refinancing does not exceed the amount of the refinanced indebtedness.
''(B) LIMITATION.—The aggregate amount of indebtedness taken into account under subparagraph (A) for any period shall not exceed $500,000 (half of such amount in the case of a married individual filing a separate return).
''(C) TREATMENT OF INDEBTEDNESS INCURRED ON OR BEFORE NOVEMBER 2, 2017.—
''(i) IN GENERAL.—In the case of any pre-November 2, 2017, indebtedness, this paragraph shall apply as in effect immediately before the enactment of the Tax Cuts and Jobs Act.
''(ii) PRE-NOVEMBER 2, 2017, INDEBTEDNESS.—For purposes of this subparagraph, the term 'pre-November 2, 2017, indebtedness' means—
''(I) any principal residence acquisition indebtedness which was incurred on or before November 2, 2017, or
''(II) any principal residence acquisition indebtedness which is incurred after November 2, 2017, to refinance indebtedness described in clause (i) (or refinanced indebtedness meeting the requirements of this clause) to the extent (immediately after the refinancing) the principal amount of the indebtedness resulting from the refinancing does not exceed the principal amount of the refinanced indebtedness (immediately before the refinancing).
''(iii) LIMITATION ON PERIOD OF REFINANCING.—clause (ii)(II) shall not apply to any indebtedness after—
''(I) the expiration of the term of the original indebtedness, or
''(II) if the principal of such original indebtedness is not amortized over its term, the expiration of the term of the 1st refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such 1st refinancing).
''(iv) BINDING CONTRACT EXCEPTION.—In the case of a taxpayer who enters into a written binding contract before November 2, 2017, to close on the purchase of a principal residence before January 1, 2018, and who purchases such residence before April 1, 2018, subparagraphs (A) and (B) shall be applied by substituting 'April 1, 2018' for 'November 2, 2017'.''.
(2) CONFORMING AMENDMENTS.—
(A) Section 108(h)(2) is by striking ''for '$1,000,000 ($500,000' in clause (ii) thereof'' and inserting ''for '$500,000 ($250,000' in paragraph (2)(A), and '$1,000,000' for '$500,000' in paragraph (2)(B), thereof''.
(B) Section 163(h) is amended by striking subparagraphs (E) and (F) in paragraph (4).
(b) TAXPAYERS LIMITED TO 1 QUALIFIED RESIDENCE.—Section 163(h)(4)(A)(i) is amended to read as follows:
''(i) IN GENERAL.—The term 'qualified residence' means the principal residence (within the meaning of section 121) of the taxpayer.''.
(c) EFFECTIVE DATES.—
(1) IN GENERAL.—The amendments made by this section shall apply to interest paid or accrued in taxable years beginning after December 31, 2017, with respect to indebtedness incurred before, on, or after such date.
(2) TREATMENT OF GRANDFATHERED INDEBTEDNESS.—For application of the amendments made by this section to grandfathered indebtedness, see paragraph (3)(C) of section 163(h) of the Internal Revenue Code of 1986, as amended by this section.

SEC. 1303. REPEAL OF DEDUCTION FOR CERTAIN TAXES NOT PAID OR ACCRUED IN A TRADE OR BUSINESS.

(a) IN GENERAL.—Section 164(b)(5) is amended to read as follows:
''(5) LIMITATION IN CASE OF INDIVIDUALS.—In the case of a taxpayer other than a corporation—
''(A) foreign real property taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) shall not be taken into account under subsection (a)(1),
''(B) the aggregate amount of taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 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) subsection (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, and
''(D) subsection (a)(3) shall not apply to State and local taxes.''.
(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2017.

SEC. 1304. REPEAL OF DEDUCTION FOR PERSONAL CASUALTY LOSSES.

(a) IN GENERAL.—Section 165(c) is amended by inserting ''and'' at the end of paragraph (1), by striking ''; and'' at the end of paragraph (2) and inserting a period, and by striking paragraph (3).
(b) CONFORMING AMENDMENTS.—
(1) Section 165(h) is amended to read as follows:
''(h) SPECIAL RULE WHERE PERSONAL CASUALTY GAINS EXCEED PERSONAL CASUALTY LOSSES.—
''(1) IN GENERAL.—If the personal casualty gains for any taxable year exceed the personal casualty losses for such taxable year—
''(A) all such gains shall be treated as gains from sales or exchanges of capital assets, and
''(B) all such losses shall be treated as losses from sales or exchanges of capital assets.
''(2) DEFINITIONS OF PERSONAL CASUALTY GAIN AND PERSONAL CASUALTY LOSS.—For purposes of this subsection—
''(A) PERSONAL CASUALTY LOSS.—The term 'personal casualty loss' means any loss of property not connected with a trade or business or a transaction entered into for profit, if such loss arises from fire, storm, shipwreck, or other casualty, or from theft.
''(B) PERSONAL CASUALTY GAIN.—The term 'personal casualty gain' means the recognized gain from any involuntary conversion of property which is described in subparagraph (A)

arising from fire, storm, shipwreck, or other casualty, or from theft.''.

(2) Section 165 is amended by striking subsection (k).

(3)(A) Section 165(l)(1) is amended by striking ''a loss described in subsection (c)(3)'' and inserting ''an ordinary loss described in subsection (c)(2)''.

(B) Section 165(l) is amended—

(i) by striking paragraph (5),

(ii) by redesignating paragraphs (2), (3), and (4) as paragraphs (3), (4), and (5), respectively, and

(iii) by inserting after paragraph (1) the following new paragraph:

''(2) LIMITATIONS.—

''(A) DEPOSIT MAY NOT BE FEDERALLY INSURED.—No election may be made under paragraph (1) with respect to any loss on a deposit in a qualified financial institution if part or all of such deposit is insured under Federal law.

''(B) DOLLAR LIMITATION.—With respect to each financial institution, the aggregate amount of losses attributable to deposits in such financial institution to which an election under paragraph (1) may be made by the taxpayer for any taxable year shall not exceed $20,000 ($10,000 in the case of a separate return by a married individual). The limitation of the preceding sentence shall be reduced by the amount of any insurance proceeds under any State law which can reasonably be expected to be received with respect to losses on deposits in such institution.''.

(4) Section 172(b)(1)(E)(ii), prior to amendment under title III, is amended by striking subclause (I) and by redesignating subclauses (II) and (III) as subclauses (I) and (II), respectively.

(5) Section 172(d)(4)(C) is amended by striking ''paragraph (2) or (3) of section 165(c)'' and inserting ''section 165(c)(2)''.

(6) Section 274(f) is amended by striking ''CASUALTY LOSSES,'' in the heading thereof.

(7) Section 280A(b) is amended by striking ''CASUALTY LOSSES,'' in the heading thereof.

(8) Section 873(b), as amended by the preceding provisions of this Act, is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(9) Section 504(b) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 is amended by adding at the end the following new paragraph:

''(4) COORDINATION WITH TAX REFORM.—This subsection shall be applied without regard to the amendments made by section 1304 of the Tax Cuts and Jobs Act.''.

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

SEC. 1305. LIMITATION ON WAGERING LOSSES.

(a) IN GENERAL.—Section 165(d) is amended by adding at the end the following: ''For purposes of the preceding sentence, the term 'losses from wagering transactions' includes any deduction otherwise allowable under this chapter incurred in carrying on any wagering transaction.''.

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

SEC. 1306. CHARITABLE CONTRIBUTIONS.

(a) INCREASED LIMITATION FOR CASH CONTRIBUTIONS.—Section 170(b)(1) is amended by redesignating subparagraph (G) as subparagraph (H) and by inserting after subparagraph (F) the following new subparagraph:

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

''(i) IN GENERAL.—In the case of any contribution of cash to an organization described in subparagraph (A), the total amount of such contributions which may be taken into account under subsection (a) for any taxable year shall not exceed 60 percent of the taxpayer's contribution base for such year.

''(ii) CARRYOVER.—If the aggregate amount of contributions described in clause (i) exceeds the applicable limitation under clause (i), such excess shall be treated (in a manner consistent with the rules of subsection (d)(1)) as a charitable contribution to which clause (i) applies in each of the 5 succeeding years in order of time.

''(iii) COORDINATION WITH SUBPARAGRAPHS (A) AND (B).—

''(I) IN GENERAL.—Contributions taken into account under this subparagraph shall not be taken into account under subparagraph (A).

''(II) LIMITATION REDUCTION.—Subparagraphs (A) and (B) shall be applied by reducing (but not below zero) the aggregate contribution limitation allowed for the taxable year under each such subparagraph by the aggregate contributions allowed under this subparagraph for such taxable year.''.

(b) DENIAL OF DEDUCTION FOR COLLEGE ATHLETIC EVENT SEATING RIGHTS.—Section 170(l)(1) is amended to read as follows:

''(1) IN GENERAL.—No deduction shall be allowed under this section for any amount described in paragraph (2).''.

(c) CHARITABLE MILEAGE RATE ADJUSTED FOR INFLATION.—Section 170(i) is amended by striking ''shall be 14 cents per mile'' and inserting ''shall be a rate which takes into account the variable cost of operating an automobile''.

(d) REPEAL OF SUBSTANTIATION EXCEPTION IN CASE OF CONTRIBUTIONS REPORTED BY DONEE.—Section 170(f)(8) is amended by striking subparagraph (D) and by redesignating subparagraph (E) as subparagraph (D).

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

SEC. 1307. REPEAL OF DEDUCTION FOR TAX PREPARATION EXPENSES.

(a) IN GENERAL.—Section 212 is amended by adding ''or'' at the end of paragraph (1), by striking ''; or'' at the end of paragraph (2) and inserting a period, and by striking paragraph (3).

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

SEC. 1308. REPEAL OF MEDICAL EXPENSE DEDUCTION.

(a) IN GENERAL.—Part VII of subchapter B is amended by striking by striking section 213 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

(1)(A) Section 105(f) is amended to read as follows:

''(f) MEDICAL CARE.—For purposes of this section—

''(1) IN GENERAL.—The term 'medical care' means amounts paid—

''(A) for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body,

''(B) for transportation primarily for and essential to medical care referred to in subparagraph (A),

''(C) for qualified long-term care services (as defined in section 7702B(c)), or

''(D) for insurance (including amounts paid as premiums under part B of title XVIII of the Social Security Act, relating to supplementary medical insurance for the aged) covering medical care referred to in subparagraphs (A) and (B) or for any qualified long-term care insurance contract (as defined in section 7702B(b)).

In the case of a qualified long-term care insurance contract (as defined in section 7702B(b)), only eligible long-term care premiums (as defined in paragraph (7)) shall be taken into account under subparagraph (D).

''(2) AMOUNTS PAID FOR CERTAIN LODGING AWAY FROM HOME TREATED AS PAID FOR MEDICAL CARE.—Amounts paid for lodging (not lavish or extravagant under the circumstances) while away from home primarily for and essential to medical care referred to in paragraph (1)(A) shall be treated as amounts paid for medical care if—

''(A) the medical care referred to in paragraph (1)(A) is provided by a physician in a licensed hospital (or in a medical care facility which is related to, or the equivalent of, a licensed hospital), and

''(B) there is no significant element of personal pleasure, recreation, or vacation in the travel away from home.

The amount taken into account under the preceding sentence shall not exceed $50 for each night for each individual.

''(3) PHYSICIAN.—The term 'physician' has the meaning given to such term by section 1861(r) of the Social Security Act (42 U.S.C. 1395x(r)).

''(4) CONTRACTS COVERING OTHER THAN MEDICAL CARE.—In the case of an insurance contract under which amounts are payable for other than medical care referred to in subparagraphs (A), (B) and (C) of paragraph (1)—

''(A) no amount shall be treated as paid for insurance to which paragraph (1)(D) applies unless the charge for such insurance is either separately stated in the contract, or furnished to the policyholder by the insurance company in a separate statement,

''(B) the amount taken into account as the amount paid for such insurance shall not exceed such charge, and

''(C) no amount shall be treated as paid for such insurance if the amount specified in the contract (or furnished to the policyholder by the insurance company in a separate statement) as the charge for such insurance is unreasonably large in relation to the total charges under the contract.

''(5) CERTAIN PRE-PAID CONTRACTS.—Subject to the limitations of paragraph (4), premiums paid during the taxable year by a taxpayer before he attains the age of 65 for insurance covering medical care (within the meaning of subparagraphs (A), (B), and (C) of paragraph (1)) for the taxpayer, his spouse, or a dependent after the taxpayer attains the age of 65 shall be treated as expenses paid during the taxable year for insurance which constitutes medical care if premiums for such insurance are payable (on a level payment basis) under the contract for a period of 10 years or more or until the year in which the taxpayer attains the age of 65 (but in no case for a period of less than 5 years).

''(6) COSMETIC SURGERY.—

''(A) IN GENERAL.—The term 'medical care' does not include cosmetic surgery or other similar procedures, unless the surgery or procedure is necessary to ameliorate a deformity arising from, or directly related to, a congenital abnormality, a personal injury resulting from an accident or trauma, or disfiguring disease.

''(B) COSMETIC SURGERY DEFINED .—For purposes of this paragraph, the term 'cosmetic surgery' means any procedure which is directed at improving the patient's appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease.

''(7) ELIGIBLE LONG-TERM CARE PREMIUMS.—

''(A) IN GENERAL.—For purposes of this section, the term 'eligible long-term care premiums' means the amount paid during a taxable year for any qualified long-term care insurance contract (as defined in section 7702B(b)) covering an individual, to the extent such amount does not exceed the limitation determined under the following table:

''In the case of an individual with an attained age before the close of the taxable year of:	*The limitation is:*
40 or less	*$200*
More than 40 but not more than 50	*$375*
More than 50 but not more than 60	*$750*
More than 60 but not more than 70	*$2,000*
More than 70	*$2,500*

''(B) INDEXING.—

''(i) IN GENERAL.—In the case of any taxable year beginning after 1997, each dollar amount in subparagraph (A) shall be increased by the medical care cost adjustment of such amount for such calendar year. Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $10.

''(ii) MEDICAL CARE COST ADJUSTMENT.—For purposes of clause (i), the medical care cost adjustment for any calendar year is the adjustment prescribed by the Secretary, in consultation with the Secretary of Health and Human Services, for purposes of such clause. To the extent that CPI (as defined section 1(c)), or any component thereof, is taken into account in determining such adjustment, such adjustment shall be determined by taking into account C-CPI-U (as so defined), or the corresponding component thereof, in lieu of such CPI (or component thereof), but only with respect to the portion of such adjustment which relates to periods after December 31, 2017.

''(8) CERTAIN PAYMENTS TO RELATIVES TREATED AS NOT PAID FOR MEDICAL CARE.—An amount paid for a qualified long-term care service (as defined in section 7702B(c)) provided to an individual shall be treated as not paid for medical care if such service is provided—

''(A) by the spouse of the individual or by a relative (directly or through a partnership, corporation, or other entity) unless the service is provided by a licensed professional with respect to such service, or

''(B) by a corporation or partnership which is related (within the meaning of section 267(b) or 707(b)) to the individual.

For purposes of this paragraph, the term 'relative' means an individual bearing a relationship to the individual which is described in any of subparagraphs (A) through (G) of section 7706(d)(2). This paragraph shall not apply for purposes of subsection (b) with respect to reimbursements through insurance.''.

(B) Section 72(t)(2)(D)(i)(III) is amended by striking ''section 213(d)(1)(D)'' and inserting ''section 105(f)(1)(D)''.

(C) Section 104(a) is amended by striking ''section 213(d)(1)'' in the last sentence and inserting ''section 105(f)(1)''.

(D) Section 105(b) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(E) Section 139D is amended by striking ''section 213'' and inserting ''section 223''.

(F) Section 162(l)(2) is amended by striking ''section 213(d)(10)'' and inserting ''section 105(f)(7)''.

(G) Section 220(d)(2)(A) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(H) Section 223(d)(2)(A) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(I) Section 419A(f)(2) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(J) Section 501(c)(26)(A) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(K) Section 2503(e) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(L) Section 4980B(c)(4)(B)(i)(I) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(M) Section 6041(f) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(N) Section 7702B(a)(2) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(O) Section 7702B(a)(4) is amended by striking ''section 213(d)(1)(D)'' and inserting ''section 105(f)(1)(D)''.

(P) Section 7702B(d)(5) is amended by striking ''section 213(d)(10)'' and inserting ''section 105(f)(7)''.

(Q) Section 9832(d)(3) is amended by striking ''section 213(d)'' and inserting ''section 105(f)''.

(2) Section 72(t)(2)(B) is amended to read as follows:

''(B) MEDICAL EXPENSES.—Distributions made to an individual (other than distributions described in subparagraph (A), (C), or (D) to the extent such distributions do not exceed the excess of—

''(i) the expenses paid by the taxpayer during the taxable year, not compensated for by insurance or otherwise, for medical care (as defined in 105(f)) of the taxpayer, his spouse, or a dependent (as defined in section 7706, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof), over

''(ii) 10 percent of the taxpayer's adjusted gross income.''.

(3) Section 162(l) is amended by striking paragraph (3).

(4) Section 402(l) is amended by striking paragraph (7) and redesignating paragraph (8) as paragraph (7).

(5) Section 220(f) is amended by striking paragraph (6).

(6) Section 223(f) is amended by striking paragraph (6).

(7) Section 7702B(e) is amended by striking paragraph (2).

(8) Section 7706(f)(7), as redesignated by this Act, is amended by striking ''sections 105(b), 132(h)(2)(B), and 213(d)(5)'' and inserting ''sections 105(b) and 132(h)(2)(B)''.

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

SEC. 1309. REPEAL OF DEDUCTION FOR ALIMONY PAYMENTS.

(a) IN GENERAL.—Part VII of subchapter B is amended by striking by striking section 215 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

(1) CORRESPONDING REPEAL OF PROVISIONS PROVIDING FOR INCLUSION OF ALIMONY IN GROSS INCOME.—

(A) Subsection (a) of section 61 is amended by striking paragraph (8) and by redesignating paragraphs (9) through (15) as paragraphs (8) through (14), respectively.

(B) Part II of subchapter B of chapter 1 is amended by striking section 71 (and by striking the item relating to such section in the table of sections for such part).

(C) Subpart F of part I of subchapter J of chapter 1 is amended by striking section 682 (and by striking the item relating to such section in the table of sections for such subpart).

(2) RELATED TO REPEAL OF SECTION 215.—

(A) Section 62(a) is amended by striking paragraph (10).

(B) Section 3402(m)(1) is amended by striking ''(other than paragraph (10) thereof)''.

(3) RELATED TO REPEAL OF SECTION 71.—

(A) Section 121(d)(3) is amended—

(i) by striking ''(as defined in section 71(b)(2))'' in subparagraph (B), and

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

''(C) DIVORCE OR SEPARATION INSTRUMENT.—For purposes of this paragraph, the term 'divorce or separation instrument' means—

''(i) a decree of divorce or separate maintenance or a written instrument incident to such a decree,

''(ii) a written separation agreement, or

''(iii) a decree (not described in clause (i)) requiring a spouse to make payments for the support or maintenance of the other spouse.''.

(B) Section 220(f)(7) is amended by striking ''subparagraph (A) of section 71(b)(2)'' and inserting ''clause (i) of section 121(d)(3)(C)''.

(C) Section 223(f)(7) is amended by striking ''subparagraph (A) of section 71(b)(2)'' and inserting ''clause (i) of section 121(d)(3)(C)''.

(D) Section 382(l)(3)(B)(iii) is amended by striking ''section 71(b)(2)'' and inserting ''section 121(d)(3)(C)''.

(E) Section 408(d)(6) is amended by striking ''subparagraph (A) of section 71(b)(2)'' and inserting ''clause (i) of section 121(d)(3)(C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to—

(1) any divorce or separation instrument (as defined in section 71(b)(2) of the Internal Revenue Code of 1986 as in effect before the date of the enactment of this Act) executed after December 31, 2017, and

(2) any divorce or separation instrument (as so defined) executed on or before such date and modified after such date if the modification expressly provides that the amendments made by this section apply to such modification.

SEC. 1310. REPEAL OF DEDUCTION FOR MOVING EXPENSES.

(a) IN GENERAL.—Part VII of subchapter B is amended by striking by striking section 217 (and by striking the item relating to such section in the table of sections for such subpart).

(b) RETENTION OF MOVING EXPENSES FOR MEMBERS OF ARMED FORCES.—Section 134(b) is amended by adding at the end the following new paragraph:

''(7) MOVING EXPENSES.—The term 'qualified military benefit' includes any benefit described in section 217(g) (as in effect before the enactment of the Tax Cuts And Jobs Act).''.

(c) CONFORMING AMENDMENTS.—

(1) Section 62(a) is amended by striking paragraph (15).

(2) Section 274(m)(3) is amended by striking ''(other than section 217)''.

(3) Section 3121(a) is amended by striking paragraph (11).

(4) Section 3306(b) is amended by striking paragraph (9).

(5) Section 3401(a) is amended by striking paragraph (15).

(6) Section 7872(f) is amended by striking paragraph (11).

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

SEC. 1311. TERMINATION OF DEDUCTION AND EXCLUSIONS FOR CONTRIBUTIONS TO MEDICAL SAVINGS ACCOUNTS.

(a) TERMINATION OF INCOME TAX DEDUCTION.—Section 220 is amended by adding at the end the following new subsection:

''(k) TERMINATION.—No deduction shall be allowed under subsection (a) with respect to any taxable year beginning after December 31, 2017.''.

(b) TERMINATION OF EXCLUSION FOR EMPLOYER-PROVIDED CONTRIBUTIONS.—Section 106 is amended by striking subsection (b).

(c) CONFORMING AMENDMENTS.—

(1) Section 62(a) is amended by striking paragraph (16).

(2) Section 106(d) is amended by striking paragraph (2), by redesignating paragraph (3) as paragraph (6), and by inserting after paragraph (1) the following new paragraphs:

''(2) NO CONSTRUCTIVE RECEIPT.—No amount shall be included in the gross income of any employee solely because the employee may choose between the contributions referred to in paragraph (1) and employer contributions to another health plan of the employer.

''(3) SPECIAL RULE FOR DEDUCTION OF EMPLOYER CONTRIBUTIONS.—Any employer contribution to a health savings account (as so defined), if otherwise allowable as a deduction under this chapter, shall be allowed only for the taxable year in which paid.

''(4) EMPLOYER HEALTH SAVINGS ACCOUNT CONTRIBUTION REQUIRED TO BE SHOWN ON RETURN.—Every individual required to file a return under section 6012 for the taxable year shall include on such return the aggregate amount contributed by employers to the health savings accounts (as so defined) of such individual or such individual's spouse for such taxable year.

''(5) HEALTH SAVINGS ACCOUNT CONTRIBUTIONS NOT PART OF COBRA COVERAGE.—Paragraph (1) shall not apply for purposes of section 4980B.''.

(3) Section 223(b)(4) is amended by striking subparagraph (A), by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively, and by striking the second sentence thereof.

(4) Section 223(b)(5) is amended by striking ''under paragraph (3))'' and all that follows

through ''shall be divided equally between them'' and inserting the following: ''under paragraph (3)) shall be divided equally between the spouses''.

(5) Section 223(c) is amended by striking paragraph (5).

(6) Section 3231(e) is amended by striking paragraph (10).

(7) Section 3306(b) is amended by striking paragraph (17).

(8) Section 3401(a) is amended by striking paragraph (21).

(9) Chapter 43 is amended by striking section 4980E (and by striking the item relating to such section in the table of sections for such chapter).

(10) Section 4980G is amended to read as follows:

''SEC. 4980G. FAILURE OF EMPLOYER TO MAKE COMPARABLE HEALTH SAVINGS ACCOUNT CONTRIBUTIONS.

''(a) IN GENERAL.—In the case of an employer who makes a contribution to the health savings account of any employee during a calendar year, there is hereby imposed a tax on the failure of such employer to meet the requirements of subsection (d) for such calendar year.

''(b) AMOUNT OF TAX.—The amount of the tax imposed by subsection (a) on any failure for any calendar year is the amount equal to 35 percent of the aggregate amount contributed by the employer to health savings accounts of employees for taxable years of such employees ending with or within such calendar year.

''(c) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) EMPLOYER REQUIRED TO MAKE COMPARABLE HEALTH SAVINGS ACCOUNT CONTRIBUTIONS FOR ALL PARTICIPATING EMPLOYEES.—

''(1) IN GENERAL.—An employer meets the requirements of this subsection for any calendar year if the employer makes available comparable contributions to the health savings accounts of all comparable participating employees for each coverage period during such calendar year.

''(2) COMPARABLE CONTRIBUTIONS.—

''(A) IN GENERAL.—For purposes of paragraph (1), the term 'comparable contributions' means contributions—

''(i) which are the same amount, or

''(ii) which are the same percentage of the annual deductible limit under the high deductible health plan covering the employees.

''(B) PART-YEAR EMPLOYEES.—In the case of an employee who is employed by the employer for only a portion of the calendar year, a contribution to the health savings account of such employee shall be treated as comparable if it is an amount which bears the same ratio to the comparable amount (determined without regard to this subparagraph) as such portion bears to the entire calendar year.

''(3) COMPARABLE PARTICIPATING EMPLOYEES.—

''(A) IN GENERAL.—For purposes of paragraph (1), the term 'comparable participating employees' means all employees—

''(i) who are eligible individuals covered under any high deductible health plan of the employer, and

''(ii) who have the same category of coverage.

''(B) CATEGORIES OF COVERAGE.—For purposes of subparagraph (B), the categories of coverage are self-only and family coverage.

''(4) PART-TIME EMPLOYEES.—

''(A) IN GENERAL .—Paragraph (3) shall be applied separately with respect to part-time employees and other employees.

''(B) PART-TIME EMPLOYEE.—For purposes of subparagraph (A), the term 'part-time employee' means any employee who is customarily employed for fewer than 30 hours per week.

''(5) SPECIAL RULE FOR NON-HIGHLY COMPENSATED EMPLOYEES.—For purposes of applying this section to a contribution to a health savings account of an employee who is not a highly compensated employee (as defined in section 414(q)), highly compensated employees shall not be treated as comparable participating employees.

''(e) CONTROLLED GROUPS.—For purposes of this section, all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 employer.

''(f) DEFINITIONS.—Terms used in this section which are also used in section 223 have the respective meanings given such terms in section 223.

''(g) REGULATIONS.—The Secretary shall issue regulations to carry out the purposes of this section.''.

(11) Section 6051(a) is amended by striking paragraph (11).

(12) Section 6051(a)(14)(A) is amended by striking ''paragraphs (11) and (12)'' and inserting ''paragraph (12)''.

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

SEC. 1312. DENIAL OF DEDUCTION FOR EXPENSES ATTRIBUTABLE TO THE TRADE OR BUSINESS OF BEING AN EMPLOYEE.

(a) IN GENERAL.—Part IX of subchapter B of chapter 1 is amended by inserting after the item relating to section 262 the following new item:

''SEC. 262A. EXPENSES ATTRIBUTABLE TO BEING AN EMPLOYEE.

''(a) IN GENERAL.—Except as otherwise provided in this section, no deduction shall be allowed with respect to any trade or business of the taxpayer which consists of the performance of services by the taxpayer as an employee.

''(b) EXCEPTION FOR ABOVE-THE-LINE DEDUCTIONS.—Subsection (a) shall not apply to any deduction allowable (determined without regard to subsection (a)) in determining adjusted gross income.''.

(b) REPEAL OF CERTAIN ABOVE-THE-LINE TRADE AND BUSINESS DEDUCTIONS OF EMPLOYEES.—

(1) IN GENERAL.—Section 62(a)(2) is amended—

(A) by striking subparagraphs (B), (C), and (D), and

(B) by redesignating subparagraph (E) as subparagraph (B).

(2) CONFORMING AMENDMENTS.—

(A) Section 62 is amended by striking subsections (b) and (d) and by redesignating subsections (c) and (e) as subsections (b) and (c), respectively.

(B) Section 62(a)(20) is amended by striking ''subsection (e)'' and inserting ''subsection (c)''.

(c) CONTINUED EXCLUSION OF WORKING CONDITION FRINGE BENEFITS.—Section 132(d) is amended by inserting ''(determined without regard to section 262A)'' after ''section 162''.

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

Subtitle E—Simplification and Reform of Exclusions and Taxable Compensation

SEC. 1401. LIMITATION ON EXCLUSION FOR EMPLOYER-PROVIDED HOUSING.

(a) IN GENERAL.—Section 119 is amended by adding at the end the following new subsection:

''(e) LIMITATION ON EXCLUSION OF LODGING.—

''(1) IN GENERAL.—The aggregate amount excluded from gross income of the taxpayer under subsections (a) and (d) with respect to lodging for any taxable year shall not exceed $50,000 (half such amount in the case of a married individual filing a separate return).

''(2) LIMITATION TO 1 HOME.—Subsections (a) and (d) (separately and in combination) shall not apply with respect to more than 1 residence of the taxpayer at any given time. In the case of a joint return, the preceding sentence shall apply separately to each spouse for any period during which each spouse resides separate from the other spouse in a residence which is provided in connection with the employment of each spouse, respectively.

''(3) LIMITATION FOR HIGHLY COMPENSATED EMPLOYEES.—

''(A) REDUCED FOR EXCESS COMPENSATION.—In the case of an individual whose compensation for the taxable year exceeds the amount in effect under section 414(q)(1)(B)(i) for the calendar in which such taxable year begins, the $50,000 amount under paragraph (1) shall be reduced (but not below zero) by an amount equal to 50 percent of such excess. For purposes of the preceding sentence, the term 'compensation' means wages (as defined in section 3121(a) (without regard to the contribution and benefit base limitation in section 3121(a)(1)).

''(B) EXCLUSION DENIED FOR 5-PERCENT OWNERS.—In the case of an individual who is a 5-percent owner (as defined in section 416(i)(1)(B)(i)) of the employer at any time during the taxable year, the amount under paragraph (1) shall be zero.''.

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

SEC. 1402. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL RESIDENCE.

(a) REQUIREMENT THAT RESIDENCE BE PRINCIPAL RESIDENCE FOR 5 YEARS DURING 8-YEAR PERIOD.—Subsection (a) of section 121 is amended—

(1) by striking ''5-year period'' and inserting ''8-year period'', and

(2) by striking ''2 years'' and inserting ''5 years''.

(b) APPLICATION TO ONLY 1 SALE OR EXCHANGE EVERY 5 YEARS.—Paragraph (3) of section 121(b) is amended to read as follows:

''(3) APPLICATION TO ONLY 1 SALE OR EXCHANGE EVERY 5 YEARS.—Subsection (a) shall not apply to any sale or exchange by the taxpayer if, during the 5-year period ending on the date of such sale or exchange, there was any other sale or exchange by the taxpayer to which subsection (a) applied.''.

(c) PHASEOUT BASED ON MODIFIED ADJUSTED GROSS INCOME.—Section 121 is amended by adding at the end the following new subsection:

''(h) PHASEOUT BASED ON MODIFIED ADJUSTED GROSS INCOME.—

''(1) IN GENERAL.—If the average modified adjusted gross income of the taxpayer for the taxable year and the 2 preceding taxable years exceeds $250,000 (twice such amount in the case of a joint return), the amount which would (but for this subsection) be excluded from gross income under subsection (a) for such taxable year shall be reduced (but not below zero) by the amount of such excess.

''(2) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this subsection, the term 'modified adjusted gross income' means, with respect to any taxable year, adjusted gross income determined after application of this section (but without regard to subsection (b)(1) and this subsection).

''(3) SPECIAL RULE FOR JOINT RETURNS.—In the case of a joint return, the average modified adjusted gross income of the taxpayer shall be determined without regard to any taxable year with respect to which the taxpayer did not file a joint return.''.

(d) CONFORMING AMENDMENTS.—

(1) The following provisions of section 121 are each amended by striking ''5-year period'' each place it appears therein and inserting ''8-year period'':

(A) Subsection (b)(5)(C)(ii)(I).

(B) Subsection (c)(1)(B)(i)(I).

(C) Subsection (d)(7)(B).

(D) Subparagraphs (A) and (B) of subsection (d)(9).

(E) Subsection (d)(10).

(F) Subsection (d)(12)(A).

(2) Section 121(c)(1)(B)(ii) is amended by striking ''2 years'' and inserting ''5 years'':

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

SEC. 1403. REPEAL OF EXCLUSION, ETC., FOR EMPLOYEE ACHIEVEMENT AWARDS.

(a) IN GENERAL.—Section 74 is amended by striking subsection (c).

(b) REPEAL OF LIMITATION ON DEDUCTION.—Section 274 is amended by striking subsection (j).

(c) CONFORMING AMENDMENTS.—

(1) Section 102(c)(2) is amended by striking the first sentence.

(2) Section 414(n)(3)(C) is amended by striking ''274(j),''.

(3) Section 414(t)(2) is amended by striking ''274(j),''.

(4) Section 3121(a)(20) is amended by striking ''74(c)''.

(5) Section 3231(e)(5) is amended by striking ''74(c),''.

(6) Section 3306(b)(16) is amended by striking ''74(c),''.

(7) Section 3401(a)(19) is amended by striking ''74(c),''.

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

SEC. 1404. SUNSET OF EXCLUSION FOR DEPENDENT CARE ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Section 129 is amended by adding at the end the following new subsection:

''(f) TERMINATION.—Subsection (a) shall not apply to taxable years beginning after December 31, 2022.''.

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

SEC. 1405. REPEAL OF EXCLUSION FOR QUALIFIED MOVING EXPENSE REIMBURSEMENT.

(a) IN GENERAL.—Section 132(a) is amended by striking paragraph (6).

(b) CONFORMING AMENDMENTS.—

(1) Section 82 is amended by striking ''Except as provided in section 132(a)(6), there'' and inserting ''There''.

(2) Section 132 is amended by striking subsection (g).

(3) Section 132(l) is amended by striking by striking ''subsections (e) and (g)'' and inserting ''subsection (e)''.

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

SEC. 1406. REPEAL OF EXCLUSION FOR ADOPTION ASSISTANCE PROGRAMS.

(a) IN GENERAL.—Part III of subchapter B of chapter 1 is amended by striking section 137 (and by striking the item relating to such section in the table of sections for such part).

(b) CONFORMING AMENDMENTS.—

(1) Sections 414(n)(3)(C), 414(t)(2), 74(d)(2)(B), 86(b)(2)(A), 219(g)(3)(A)(ii) are each amended by striking '', 137''.

(2) Section 1016(a), as amended by the preceding provision of this Act, is amended by striking paragraph (26).

(3) Section 6039D(d)(1), as amended by the preceding provisions of this Act, is amended—

(A) by striking '', or 137'', and

(B) by inserting ''or'' before ''125''.

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

Subtitle F—Simplification and Reform of Savings, Pensions, Retirement

SEC. 1501. REPEAL OF SPECIAL RULE PERMITTING RECHARACTERIZATION OF ROTH IRA CONTRIBUTIONS AS TRADITIONAL IRA CONTRIBUTIONS.

(a) IN GENERAL.—Section 408A(d) is amended by striking paragraph (6) and by redesignating paragraph (7) as paragraph (6).

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

SEC. 1502. REDUCTION IN MINIMUM AGE FOR ALLOWABLE IN-SERVICE DISTRIBUTIONS.

(a) IN GENERAL.—Section 401(a)(36) is amended by striking ''age 62'' and inserting ''age 59 ½''.

(b) APPLICATION TO GOVERNMENTAL SECTION 457(b) PLANS.—Clause (i) of section 457(d)(1)(A) is amended by inserting ''(in the case of a plan maintained by an employer described in subsection (e)(1)(A), age 59 ½)'' before the comma at the end.

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

SEC. 1503. MODIFICATION OF RULES GOVERNING HARDSHIP DISTRIBUTIONS.

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

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

(2) make any other modifications necessary to carry out the purposes of section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986.

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

SEC. 1504. MODIFICATION OF RULES RELATING TO HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—Section 401(k) is amended by adding at the end the following:

''(14) SPECIAL RULES RELATING TO HARDSHIP WITHDRAWALS.—For purposes of paragraph (2)(B)(i)(IV)—

''(A) AMOUNTS WHICH MAY BE WITHDRAWN.—The following amounts may be distributed upon hardship of the employee:

''(i) Contributions to a profit-sharing or stock bonus plan to which section 402(e)(3) applies.

''(ii) Qualified nonelective contributions (as defined in subsection (m)(4)(C)).

''(iii) Qualified matching contributions described in paragraph (3)(D)(ii)(I).

''(iv) Earnings on any contributions described in clause (i), (ii), or (iii).

''(B) NO REQUIREMENT TO TAKE AVAILABLE LOAN.—A distribution shall not be treated as failing to be made upon the hardship of an employee solely because the employee does not take any available loan under the plan.''.''.

(b) CONFORMING AMENDMENT.—Section 401(k)(2)(B)(i)(IV) is amended to read as follows:

''(IV) subject to the provisions of paragraph (14), upon hardship of the employee, or''.''.

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

SEC. 1505. EXTENDED ROLLOVER PERIOD FOR THE ROLLOVER OF PLAN LOAN OFFSET AMOUNTS IN CERTAIN CASES.

(a) IN GENERAL.—Paragraph (3) of section 402(c) is amended by adding at the end the following new subparagraph:

''(C) ROLLOVER OF CERTAIN PLAN LOAN OFFSET AMOUNTS.—

''(i) IN GENERAL.—In the case of a qualified plan loan offset amount, paragraph (1) shall not apply to any transfer of such amount made after the due date (including extensions) for filing the return of tax for the taxable year in which such amount is treated as distributed from a qualified employer plan.

''(ii) QUALIFIED PLAN LOAN OFFSET AMOUNT.—For purposes of this subparagraph, the term 'qualified plan loan offset amount' means a plan loan offset amount which is treated as distributed from a qualified employer plan to a participant or beneficiary solely by reason of—

''(I) the termination of the qualified employer plan, or

''(II) the failure to meet the repayment terms of the loan from such plan because of the separation from service of the participant (whether due to layoff, cessation of business, termination of employment, or otherwise).

''(iii) PLAN LOAN OFFSET AMOUNT.—For purposes of clause (ii), the term 'plan loan offset amount' means the amount by which the participant's accrued benefit under the plan is reduced in order to repay a loan from the plan.

''(iv) LIMITATION.—This subparagraph shall not apply to any plan loan offset amount unless such plan loan offset amount relates to a loan to which section 72(p)(1) does not apply by reason of section 72(p)(2).

''(v) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' has the meaning given such term by section 72(p)(4).''.

(b) CONFORMING AMENDMENT.—Subparagraph (A) of section 402(c)(3) is amended by striking ''subparagraph (B)'' and inserting ''subparagraphs (B) and (C)''.

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

SEC. 1506. MODIFICATION OF NONDISCRIMINATION RULES TO PROTECT OLDER, LONGER SERVICE PARTICIPANTS.

(a) IN GENERAL.—Section 401 is amended—

(1) by redesignating subsection (o) as subsection (p), and

(2) by inserting after subsection (n) the following new subsection:

''(o) SPECIAL RULES FOR APPLYING NONDISCRIMINATION RULES TO PROTECT OLDER, LONGER SERVICE AND GRANDFATHERED PARTICIPANTS.—

''(1) TESTING OF DEFINED BENEFIT PLANS WITH CLOSED CLASSES OF PARTICIPANTS.—

''(A) BENEFITS, RIGHTS, OR FEATURES PROVIDED TO CLOSED CLASSES.—A defined benefit plan which provides benefits, rights, or features to a closed class of participants shall not fail to satisfy the requirements of subsection (a)(4) by reason of the composition of such closed class or the benefits, rights, or features provided to such closed class, if—

''(i) for the plan year as of which the class closes and the 2 succeeding plan years, such benefits, rights, and features satisfy the requirements of subsection (a)(4) (without regard to this subparagraph but taking into account the rules of subparagraph (I)),

''(ii) after the date as of which the class was closed, any plan amendment which modifies the closed class or the benefits, rights, and features provided to such closed class does not discriminate significantly in favor of highly compensated employees, and

''(iii) the class was closed before April 5, 2017, or the plan is described in subparagraph (C).

''(B) AGGREGATE TESTING WITH DEFINED CONTRIBUTION PLANS PERMITTED ON A BENEFITS BASIS.—

''(i) IN GENERAL.—For purposes of determining compliance with subsection (a)(4) and section 410(b), a defined benefit plan described in clause (iii) may be aggregated and tested on a benefits basis with 1 or more defined contribution plans, including with the portion of 1 or more defined contribution plans which—

''(I) provides matching contributions (as defined in subsection (m)(4)(A)),

''(II) provides annuity contracts described in section 403(b) which are purchased with matching contributions or nonelective contributions, or

''(III) consists of an employee stock ownership plan (within the meaning of section 4975(e)(7)) or a tax credit employee stock ownership plan (within the meaning of section 409(a)).

''(ii) SPECIAL RULES FOR MATCHING CONTRIBUTIONS.—For purposes of clause (i), if a defined benefit plan is aggregated with a portion of a defined contribution plan providing matching contributions—

''(I) such defined benefit plan must also be aggregated with any portion of such defined contribution plan which provides elective deferrals described in subparagraph (A) or (C) of section 402(g)(3), and

''(II) such matching contributions shall be treated in the same manner as nonelective contributions, including for purposes of applying the rules of subsection (l).

''(iii) PLANS DESCRIBED.—A defined benefit plan is described in this clause if—

''(I) the plan provides benefits to a closed class of participants,

''(II) for the plan year as of which the class closes and the 2 succeeding plan years, the plan satisfies the requirements of section 410(b) and subsection (a)(4) (without regard to this subparagraph but taking into account the rules of subparagraph (I)),

''(III) after the date as of which the class was closed, any plan amendment which modifies the closed class or the benefits provided to such closed class does not discriminate significantly in favor of highly compensated employees, and

''(IV) the class was closed before April 5, 2017, or the plan is described in subparagraph (C).

''(C) PLANS DESCRIBED.—A plan is described in this subparagraph if, taking into account any predecessor plan—

''(i) such plan has been in effect for at least 5 years as of the date the class is closed, and

''(ii) during the 5-year period preceding the date the class is closed, there has not been a substantial increase in the coverage or value of the benefits, rights, or features described in subparagraph (A) or in the coverage or benefits under the plan described in subparagraph (B)(iii) (whichever is applicable).

''(D) DETERMINATION OF SUBSTANTIAL INCREASE FOR BENEFITS, RIGHTS, AND FEATURES.—In applying subparagraph (C)(ii) for purposes of subparagraph (A)(iii), a plan shall be treated as having had a substantial increase in coverage or value of the benefits, rights, or features described in subparagraph (A) during the applicable 5-year period only if, during such period—

''(i) the number of participants covered by such benefits, rights, or features on the date such period ends is more than 50 percent greater than the number of such participants on the first day of the plan year in which such period began, or

''(ii) such benefits, rights, and features have been modified by 1 or more plan amendments in such a way that, as of the date the class is closed, the value of such benefits, rights, and features to the closed class as a whole is substantially greater than the value as of the first day of such 5-year period, solely as a result of such amendments.

''(E) DETERMINATION OF SUBSTANTIAL INCREASE FOR AGGREGATE TESTING ON BENEFITS BASIS.—In applying subparagraph (C)(ii) for purposes of subparagraph (B)(iii)(IV), a plan shall be treated as having had a substantial increase in coverage or benefits during the applicable 5-year period only if, during such period—

''(i) the number of participants benefitting under the plan on the date such period ends is more than 50 percent greater than the number of such participants on the first day of the plan year in which such period began, or

''(ii) the average benefit provided to such participants on the date such period ends is more than 50 percent greater than the average benefit provided on the first day of the plan year in which such period began.

''(F) CERTAIN EMPLOYEES DISREGARDED.—For purposes of subparagraphs (D) and (E), any increase in coverage or value or in coverage or benefits, whichever is applicable, which is attributable to such coverage and value or coverage and benefits provided to employees—

''(i) who became participants as a result of a merger, acquisition, or similar event which occurred during the 7-year period preceding the date the class is closed, or

''(ii) who became participants by reason of a merger of the plan with another plan which had been in effect for at least 5 years as of the date of the merger,

shall be disregarded, except that clause (ii) shall apply for purposes of subparagraph (D) only if, under the merger, the benefits, rights, or features under 1 plan are conformed to the benefits, rights, or features of the other plan prospectively.

''(G) RULES RELATING TO AVERAGE BENEFIT.—For purposes of subparagraph (E)—

''(i) the average benefit provided to participants under the plan will be treated as having remained the same between the 2 dates described in subparagraph (E)(ii) if the benefit formula applicable to such participants has not changed between such dates, and

''(ii) if the benefit formula applicable to 1 or more participants under the plan has changed between such 2 dates, then the average benefit under the plan shall be considered to have increased by more than 50 percent only if—

''(I) the total amount determined under section 430(b)(1)(A)(i) for all participants benefitting under the plan for the plan year in which the 5-year period described in subparagraph (E) ends, exceeds

''(II) the total amount determined under section 430(b)(1)(A)(i) for all such participants for such plan year, by using the benefit formula in effect for each such participant for the first plan year in such 5-year period, by more than 50 percent.

In the case of a CSEC plan (as defined in section 414(y)), the normal cost of the plan (as determined under section 433(j)(1)(B)) shall be used in lieu of the amount determined under section 430(b)(1)(A)(i).

''(H) TREATMENT AS SINGLE PLAN.—For purposes of subparagraphs (E) and (G), a plan described in section 413(c) shall be treated as a single plan rather than as separate plans maintained by each participating employer.

''(I) SPECIAL RULES.—For purposes of subparagraphs (A)(i) and (B)(iii)(II), the following rules shall apply:

''(i) In applying section 410(b)(6)(C), the closing of the class of participants shall not be treated as a significant change in coverage under section 410(b)(6)(C)(i)(II).

''(ii) 2 or more plans shall not fail to be eligible to be aggregated and treated as a single plan solely by reason of having different plan years.

''(iii) Changes in the employee population shall be disregarded to the extent attributable to individuals who become employees or cease to be employees, after the date the class is closed, by reason of a merger, acquisition, divestiture, or similar event.

''(iv) Aggregation and all other testing methodologies otherwise applicable under subsection (a)(4) and section 410(b) may be taken into account.

The rule of clause (ii) shall also apply for purposes of determining whether plans to which subparagraph (B)(i) applies may be aggregated and treated as 1 plan for purposes of determining whether such plans meet the requirements of subsection (a)(4) and section 410(b).

''(J) SPUN-OFF PLANS.—For purposes of this paragraph, if a portion of a defined benefit plan described in subparagraph (A) or (B)(iii) is spun off to another employer and the spun-off plan continues to satisfy the requirements of—

''(i) subparagraph (A)(i) or (B)(iii)(II), whichever is applicable, if the original plan was still within the 3-year period described in such subparagraph at the time of the spin off, and

''(ii) subparagraph (A)(ii) or (B)(iii)(III), whichever is applicable,

the treatment under subparagraph (A) or (B) of the spun-off plan shall continue with respect to such other employer.

''(2) TESTING OF DEFINED CONTRIBUTION PLANS.—

''(A) TESTING ON A BENEFITS BASIS.—A defined contribution plan shall be permitted to be tested on a benefits basis if—

''(i) such defined contribution plan provides make-whole contributions to a closed class of participants whose accruals under a defined benefit plan have been reduced or eliminated,

''(ii) for the plan year of the defined contribution plan as of which the class eligible to receive such make-whole contributions closes and the 2 succeeding plan years, such closed class of participants satisfies the requirements of section 410(b)(2)(A)(i) (determined by applying the rules of paragraph (1)(I)),

''(iii) after the date as of which the class was closed, any plan amendment to the defined contribution plan which modifies the closed class or the allocations, benefits, rights, and features provided to such closed class does not discriminate significantly in favor of highly compensated employees, and

''(iv) the class was closed before April 5, 2017, or the defined benefit plan under clause (i) is described in paragraph (1)(C) (as applied for purposes of paragraph (1)(B)(iii)(IV)).

''(B) AGGREGATION WITH PLANS INCLUDING MATCHING CONTRIBUTIONS.—

''(i) IN GENERAL.—With respect to 1 or more defined contribution plans described in subparagraph (A), for purposes of determining compliance with subsection (a)(4) and section 410(b), the portion of such plans which provides make-whole contributions or other nonelective contributions may be aggregated and tested on a benefits basis with the portion of 1 or more other defined contribution plans which—

''(I) provides matching contributions (as defined in subsection (m)(4)(A)),

''(II) provides annuity contracts described in section 403(b) which are purchased with matching contributions or nonelective contributions, or

''(III) consists of an employee stock ownership plan (within the meaning of section 4975(e)(7)) or a tax credit employee stock ownership plan (within the meaning of section 409(a)).

''(ii) SPECIAL RULES FOR MATCHING CONTRIBUTIONS.—Rules similar to the rules of paragraph (1)(B)(ii) shall apply for purposes of clause (i).

''(C) SPECIAL RULES FOR TESTING DEFINED CONTRIBUTION PLAN FEATURES PROVIDING MATCHING CONTRIBUTIONS TO CERTAIN OLDER, LONGER SERVICE PARTICIPANTS.—In the case of a defined contribution plan which provides benefits, rights, or features to a closed class of participants whose accruals under a defined benefit plan have been reduced or eliminated, the plan shall not fail to satisfy the requirements of subsection (a)(4) solely by reason of the composition of the closed class or the benefits, rights, or features provided to such closed class if the defined contribution plan and defined benefit plan otherwise meet the requirements of subparagraph (A) but for the fact that the make-whole contributions under the defined contribution plan are made in whole or in part through matching contributions.

''(D) SPUN-OFF PLANS.—For purposes of this paragraph, if a portion of a defined contribution plan described in subparagraph (A) or (C) is spun off to another employer, the treatment under subparagraph (A) or (C) of the spun-off plan shall continue with respect to the other employer if such plan continues to comply with the requirements of clauses (ii) (if the original plan was still within the 3-year period described in such clause at the time of the spin off) and (iii) of subparagraph (A), as determined for purposes of subparagraph (A) or (C), whichever is applicable.

''(3) DEFINITIONS.—For purposes of this subsection—

''(A) MAKE-WHOLE CONTRIBUTIONS.—Except as otherwise provided in paragraph (2)(C), the term 'make-whole contributions' means nonelective allocations for each employee in the class which are reasonably calculated, in a consistent manner, to replace some or all of the retirement benefits which the employee would have received under the defined benefit plan and any other plan or qualified cash or deferred arrangement under subsection (k)(2) if no change had been made to such defined benefit plan and such other plan or arrangement. For purposes of the preceding sentence, consistency shall not be required with respect to employees who were subject to different benefit formulas under the defined benefit plan.

''(B) REFERENCES TO CLOSED CLASS OF PARTICIPANTS.—References to a closed class of participants and similar references to a closed class

shall include arrangements under which 1 or more classes of participants are closed, except that 1 or more classes of participants closed on different dates shall not be aggregated for purposes of determining the date any such class was closed.

''(C) HIGHLY COMPENSATED EMPLOYEE.—The term 'highly compensated employee' has the meaning given such term in section 414(q).''.

(b) PARTICIPATION REQUIREMENTS.—Paragraph (26) of section 401(a) is amended by adding at the end the following new subparagraph:

''(I) PROTECTED PARTICIPANTS.—

''(i) IN GENERAL.—A plan shall be deemed to satisfy the requirements of subparagraph (A) if—

''(I) the plan is amended—

''(aa) to cease all benefit accruals, or

''(bb) to provide future benefit accruals only to a closed class of participants,

''(II) the plan satisfies subparagraph (A) (without regard to this subparagraph) as of the effective date of the amendment, and

''(III) the amendment was adopted before April 5, 2017, or the plan is described in clause (ii).

''(ii) PLANS DESCRIBED.—A plan is described in this clause if the plan would be described in subsection (o)(1)(C), as applied for purposes of subsection (o)(1)(B)(iii)(IV) and by treating the effective date of the amendment as the date the class was closed for purposes of subsection (o)(1)(C).

''(iii) SPECIAL RULES.—For purposes of clause (i)(II), in applying section 410(b)(6)(C), the amendments described in clause (i) shall not be treated as a significant change in coverage under section 410(b)(6)(C)(i)(II).

''(iv) SPUN-OFF PLANS.—For purposes of this subparagraph, if a portion of a plan described in clause (i) is spun off to another employer, the treatment under clause (i) of the spun-off plan shall continue with respect to the other employer.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall take effect on the date of the enactment of this Act, without regard to whether any plan modifications referred to in such amendments are adopted or effective before, on, or after such date of enactment.

(2) SPECIAL RULES.—

(A) ELECTION OF EARLIER APPLICATION.—At the election of the plan sponsor, the amendments made by this section shall apply to plan years beginning after December 31, 2013.

(B) CLOSED CLASSES OF PARTICIPANTS.—For purposes of paragraphs (1)(A)(iii), (1)(B)(iii)(IV), and (2)(A)(iv) of section 401(o) of the Internal Revenue Code of 1986 (as added by this section), a closed class of participants shall be treated as being closed before April 5, 2017, if the plan sponsor's intention to create such closed class is reflected in formal written documents and communicated to participants before such date.

(C) CERTAIN POST-ENACTMENT PLAN AMENDMENTS.—A plan shall not be treated as failing to be eligible for the application of section 401(o)(1)(A), 401(o)(1)(B)(iii), or 401(a)(26) of such Code (as added by this section) to such plan solely because in the case of—

(i) such section 401(o)(1)(A), the plan was amended before the date of the enactment of this Act to eliminate 1 or more benefits, rights, or features, and is further amended after such date of enactment to provide such previously eliminated benefits, rights, or features to a closed class of participants, or

(ii) such section 401(o)(1)(B)(iii) or section 401(a)(26), the plan was amended before the date of the enactment of this Act to cease all benefit accruals, and is further amended after such date of enactment to provide benefit accruals to a closed class of participants. Any such section shall only apply if the plan otherwise meets the requirements of such section and in applying such section, the date the class of participants is closed shall be the effective date of the later amendment.

Subtitle G—Estate, Gift, and Generation-skipping Transfer Taxes

SEC. 1601. INCREASE IN CREDIT AGAINST ESTATE, GIFT, AND GENERATION-SKIPPING TRANSFER TAX.

(a) IN GENERAL.—Section 2010(c)(3) is amended by striking ''$5,000,000'' and inserting ''$10,000,000''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, 2017.

SEC. 1602. REPEAL OF ESTATE AND GENERATION-SKIPPING TRANSFER TAXES.

(a) ESTATE TAX REPEAL.—

(1) IN GENERAL.—Subchapter C of chapter 11 is amended by adding at the end the following new section:

''SEC. 2210. TERMINATION.

''(a) IN GENERAL.—Except as provided in subsection (b), this chapter shall not apply to the estates of decedents dying after December 31, 2024.

''(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED DOMESTIC TRUSTS.—In applying section 2056A with respect to the surviving spouse of a decedent dying on or before December 31, 2024—

''(1) section 2056A(b)(1)(A) shall not apply to distributions made after the 10-year period beginning on such date, and

''(2) section 2056A(b)(1)(B) shall not apply after such date.''.

(2) CONFORMING AMENDMENTS.—Section 1014(b) is amended—

(A) in paragraph (6), by striking ''was includible in determining'' and all that follows through the end and inserting ''was includible (or would have been includible without regard to section 2210) in determining the value of the decedent's gross estate under chapter 11 of subtitle B'' ,

(B) in paragraph (9), by striking ''required to be included'' through ''Code of 1939'' and inserting ''required to be included (or would have been required to be included without regard to section 2210) in determining the value of the decedent's gross estate under chapter 11 of subtitle B'', and

(C) in paragraph (10), by striking ''Property includible in the gross estate'' and inserting ''Property includible (or which would have been includible without regard to section 2210) in the gross estate''.

(3) CLERICAL AMENDMENT.—The table of sections for subchapter C of chapter 11 is amended by adding at the end the following new item:

''Sec. 2210. Termination.''.

(b) GENERATION-SKIPPING TRANSFER TAX REPEAL.—

(1) IN GENERAL.—Subchapter G of chapter 13 of subtitle B of such Code is amended by adding at the end the following new section:

''SEC. 2664. TERMINATION.

''This chapter shall not apply to generation-skipping transfers after December 31, 2024.''.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter G of chapter 13 of such Code is amended by adding at the end the following new item:

''Sec. 2664. Termination.''.

(c) CONFORMING AMENDMENTS RELATED TO GIFT TAX.—

(1) COMPUTATION OF GIFT TAX.—Section 2502 is amended by adding at the end the following new subsection:

''(d) GIFTS MADE AFTER 2024.—

''(1) IN GENERAL.—In the case of a gift made after December 31, 2024, subsection (a) shall be applied by substituting 'subsection (d)(2)' for 'section 2001(c)' and 'such subsection' for 'such section'.

''(2) RATE SCHEDULE.—

''If the amount with respect to which the tentative tax to be computed is:	***The tentative tax is:***
Not over $10,000	*18% of such amount.*
Over $10,000 but not over $20,000	*$1,800, plus 20% of the excess over $10,000.*
Over $20,000 but not over $40,000	*$3,800, plus 22% of the excess over $20,000.*
Over $40,000 but not over $60,000	*$8,200, plus 24% of the excess over $40,000.*
Over $60,000 but not over $80,000	*$13,000, plus 26% of the excess over $60,000.*
Over $80,000 but not over $100,000	*$18,200, plus 28% of the excess over $80,000.*
Over $100,000 but not over $150,000	*$23,800, plus 30% of the excess over $100,000.*
Over $150,000 but not over $250,000	*$38,800, plus 32% of the excess of $150,000.*
Over $250,000 but not over $500,000	*$70,800, plus 34% of the excess over $250,000.*
Over $500,000	*$155,800, plus 35% of the excess of $500,000.''.*

(2) LIFETIME GIFT EXEMPTION.—Section 2505 is amended by adding at the end the following new subsection:

''(d) GIFTS MADE AFTER 2024.—

''(1) IN GENERAL.—In the case of a gift made after December 31, 2024, subsection (a)(1) shall be applied by substituting 'the amount of the tentative tax which would be determined under the rate schedule set forth in section 2502(a)(2) if the amount with respect to which such tentative tax is to be computed were $10,000,000' for 'the applicable credit amount in effect under section 2010(c) which would apply if the donor died as of the end of the calendar year'.

''(2) INFLATION ADJUSTMENT.—

''(A) IN GENERAL.—In the case of any calendar year after 2024, the dollar amount in subsection (a)(1) (after application of this subsection) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(c)(2)(A) of such calendar year by substituting 'calendar year 2011' for 'calendar year 2016' in clause (ii) thereof.

''(B) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of $10,000, such amount shall be rounded to the nearest multiple of $10,000.''.

(3) OTHER CONFORMING AMENDMENTS RELATED TO GIFT TAX.—Section 2801 is amended by adding at the end the following new subsection:

''(g) GIFTS RECEIVED AFTER 2024.—In the case of a gift received after December 31, 2024, subsection (a)(1) shall be applied by substituting 'section 2502(a)(2)' for 'section 2001(c) as in effect on the date of such receipt'.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, 2024.

TITLE II—ALTERNATIVE MINIMUM TAX REPEAL

SEC. 2001. REPEAL OF ALTERNATIVE MINIMUM TAX.

(a) IN GENERAL.—Subchapter A of chapter 1 is amended by striking part VI (and by striking the item relating to such part in the table of parts for subchapter A).

(b) CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.—

(1) LIMITATION.—Subsection (c) of section 53 is amended to read as follows:

''(c) LIMITATION.—The credit allowable under subsection (a) shall not exceed the regular tax liability of the taxpayer reduced by the sum of the credits allowed under subparts A, B, and D.''.

(2) CREDITS TREATED AS REFUNDABLE.—Section 53 is amended by adding at the end the following new subsection:

''(e) PORTION OF CREDIT TREATED AS REFUNDABLE.—

''(1) IN GENERAL.—In the case of any taxable year beginning in 2019, 2020, 2021, or 2022, the limitation under subsection (c) shall be increased by the AMT refundable credit amount for such year.

''(2) AMT REFUNDABLE CREDIT AMOUNT.—For purposes of paragraph (1), the AMT refundable credit amount is an amount equal to 50 percent (100 percent in the case of a taxable year beginning in 2022) of the excess (if any) of—

''(A) the minimum tax credit determined under subsection (b) for the taxable year, over

''(B) the minimum tax credit allowed under subsection (a) for such year (before the application of this subsection for such year).

''(3) CREDIT REFUNDABLE.—For purposes of this title (other than this section), the credit allowed by reason of this subsection shall be treated as a credit allowed under subpart C (and not this subpart).

''(4) SHORT TAXABLE YEARS.—In the case of any taxable year of less than 365 days, the AMT refundable credit amount determined under paragraph (2) with respect to such taxable year shall be the amount which bears the same ratio to such amount determined without regard to this paragraph as the number of days in such taxable year bears to 365.''.

(3) TREATMENT OF REFERENCES.—Section 53(d) is amended by adding at the end the following new paragraph:

''(3) AMT TERM REFERENCES.—Any references in this subsection to section 55, 56, or 57 shall be treated as a reference to such section as in effect before its repeal by the Tax Cuts and Jobs Act.''.

(c) CONFORMING AMENDMENTS RELATED TO AMT REPEAL.—

(1) Section 2(d) is amended by striking ''sections 1 and 55'' and inserting ''section 1''.

(2) Section 5(a) is amended by striking paragraph (4).

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

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

(5) Section 26(a) is amended to read as follows:

''(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the taxpayer's regular tax liability for the taxable year.''.

(6) Section 26(b)(2) is amended by striking subparagraph (A).

(7) Section 26 is amended by striking subsection (c).

(8) Section 38(c) is amended—

(A) by striking paragraphs (1) through (5),

(B) by redesignating paragraph (6) as paragraph (2),

(C) by inserting before paragraph (2) (as so redesignated) the following new paragraph:

''(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess (if any) of—

''(A) the sum of—

''(i) so much of the regular tax liability as does not exceed $25,000, plus

''(ii) 75 percent of so much of the regular tax liability as exceeds $25,000, over

''(B) the sum of the credits allowable under subparts A and B of this part.'', and

(D) by striking ''subparagraph (B) of paragraph (1)'' each place it appears in paragraph (2) (as so redesignated) and inserting ''clauses (i) and (ii) of paragraph (1)(A)''.

(9) Section 39(a) is amended—

(A) by striking ''or the eligible small business credits'' in paragraph (3)(A), and

(B) by striking paragraph (4).

(10) Section 45D(g)(4)(B) is amended by striking ''or for purposes of section 55''.

(11) Section 54(c)(1) is amended to read as follows:

''(1) regular tax liability (as defined in section 26(b)), over''.

(12) Section 54A(c)(1)(A) is amended to read as follows:

''(A) regular tax liability (as defined in section 26(b)), over''.

(13) Section 148(b)(3) is amended to read as follows:

''(3) TAX-EXEMPT BONDS NOT TREATED AS INVESTMENT PROPERTY.—The term 'investment property' does not include any tax-exempt bond.''.

(14) Section 168(k)(2) is amended by striking subparagraph (G).

(15) Section 168(k) is amended by striking paragraph (4).

(16) Section 168(k)(5) is amended by striking subparagraph (E).

(17) Section 168(m)(2)(B)(i) is amended by striking ''(determined without regard to paragraph (4) thereof)''.

(18) Section 168(m)(2) is amended by striking subparagraph (D).

(19) Section 173 is amended by striking subsection (b).

(20) Section 263(c) is amended by striking ''section 59(e) or 291'' and inserting ''section 291''.

(21) Section 263A(c) is amended by striking paragraph (6) and by redesignating paragraph (7) (as amended) as paragraph (6).

(22) Section 382(l) is amended by striking paragraph (7) and by redesignating paragraph (8) as paragraph (7).

(23) Section 443 is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

(24) Section 616 is amended by striking subsection (e).

(25) Section 617 is amended by striking subsection (i).

(26) Section 641(c) is amended—

(A) in paragraph (2) by striking subparagraph (B) and by redesignating subparagraphs (C) and (D) as subparagraphs (B) and (C), respectively, and

(B) in paragraph (3), by striking ''paragraph (2)(C)'' and inserting ''paragraph (2)(B)''.

(27) Subsections (b) and (c) of section 666 are each amended by striking ''(other than the tax imposed by section 55)''.

(28) Section 848 is amended by striking subsection (i).

(29) Section 860E(a) is amended by striking paragraph (4).

(30) Section 871(b)(1) is amended by striking ''or 55''.

(31) Section 882(a)(1) is amended by striking ''55,''.

(32) Section 897(a) is amended to read as follows:

''(a) TREATMENT AS EFFECTIVELY CONNECTED WITH UNITED STATES TRADE OR BUSINESS.—For purposes of this title, gain or loss of a nonresident alien individual or a foreign corporation from the disposition of a United States real property interest shall be taken into account—

''(1) in the case of a nonresident alien individual, under section 871(b)(1), or

''(2) in the case of a foreign corporation, under section 882(a)(1),

as if the taxpayer were engaged in a trade or business within the United States during the taxable year and as if such gain or loss were effectively connected with such trade or business.''.

(33) Section 904(k) is amended to read as follows:

''(k) CROSS REFERENCE.—For increase of limitation under subsection (a) for taxes paid with respect to amounts received which were included in the gross income of the taxpayer for a prior taxable year as a United States shareholder with respect to a controlled foreign corporation, see section 960(b).''.

(34) Section 911(f) is amended to read as follows:

''(f) DETERMINATION OF TAX LIABILITY.—

''(1) IN GENERAL.—If, for any taxable year, any amount is excluded from gross income of a taxpayer under subsection (a), then, notwithstanding section 1, if such taxpayer has taxable income for such taxable year, the tax imposed by section 1 for such taxable year shall be equal to the excess (if any) of—

''(A) the tax which would be imposed by section 1 for such taxable year if the taxpayer's taxable income were increased by the amount excluded under subsection (a) for such taxable year, over

''(B) the tax which would be imposed by section 1 for such taxable year if the taxpayer's taxable income were equal to the amount excluded under subsection (a) for such taxable year.

For purposes of this paragraph, the amount excluded under subsection (a) shall be reduced by the aggregate amount of any deductions or exclusions disallowed under subsection (d)(6) with respect to such excluded amount.

''(2) TREATMENT OF CAPITAL GAIN EXCESS.—

''(A) IN GENERAL.—In applying section 1(h) for purposes of determining the tax under paragraph (1)(A) for any taxable year in which, without regard to this subsection, the taxpayer's net capital gain exceeds taxable income (hereafter in this subparagraph referred to as the capital gain excess)—

''(i) the taxpayer's net capital gain (determined without regard to section 1(h)(11)) shall be reduced (but not below zero) by such capital gain excess,

''(ii) the taxpayer's qualified dividend income shall be reduced by so much of such capital gain excess as exceeds the taxpayer's net capital gain (determined without regard to section 1(h)(11) and the reduction under clause (i)), and

''(iii) adjusted net capital gain, unrecaptured section 1250 gain, and 28-percent rate gain shall each be determined after increasing the amount described in section 1(h)(4)(B) by such capital gain excess.

''(B) DEFINITIONS.—Terms used in this paragraph which are also used in section 1(h) shall have the respective meanings given such terms by section 1(h).''.

(35) Section 962(a)(1) is amended—

(A) by striking ''sections 1 and 55'' and inserting ''section 1'', and

(B) by striking ''sections 11 and 55'' and inserting ''section 11''.

(36) Section 1016(a) is amended by striking paragraph (20).

(37) Section 1202(a)(4) is amended by inserting ''and'' at the end of subparagraph (A), by striking '', and'' and inserting a period at the end of subparagraph (B), and by striking subparagraph (C).

(38) Section 1374(b)(3)(B) is amended by striking the last sentence thereof.

(39) Section 1561(a) is amended—

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

(B) by striking the last sentence.

(40) Section 6015(d)(2)(B) is amended by striking ''or 55''.

(41) Section 6211(b)(4)(A) is amended by striking'', 168(k)(4)''.

(42) Section 6425(c)(1)(A) is amended to read as follows:

''(A) the tax imposed under section 11 or subchapter L of chapter 1, whichever is applicable, over''.

(43) Section 6654(d)(2) is amended—

(A) in clause (i) of subparagraph (B), by striking '', alternative minimum taxable income,'', and

(B) in clause (i) of subparagraph (C), by striking '', alternative minimum taxable income,''.

(44) Section 6655(e)(2)(B)(i) is amended by striking ''The taxable income and alternative minimum taxable income shall'' and inserting ''Taxable income shall''.

(45) Section 6655(g)(1)(A) is amended by adding ''plus'' at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(46) Section 6662(e)(3)(C) is amended by striking ''the regular tax (as defined in section 55(c))'' and inserting ''the regular tax liability (as defined in section 26(b))''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) PRIOR ELECTIONS WITH RESPECT TO CERTAIN TAX PREFERENCES.—So much of the amendment made by subsection (a) as relates to the repeal of section 59(e) of the Internal Revenue Code of 1986 shall apply to amounts paid or incurred after December 31, 2017.

(3) TREATMENT OF NET OPERATING LOSS CARRYBACKS.—For purposes of section 56(d) of the Internal Revenue Code of 1986 (as in effect before its repeal), the amount of any net operating loss which may be carried back from a taxable year beginning after December 31, 2017, to taxable years beginning before January 1, 2018, shall be determined without regard to any adjustments under section 56(d)(2)(A) of such Code (as so in effect).

TITLE III—BUSINESS TAX REFORM

Subtitle A—Tax Rates

SEC. 3001. REDUCTION IN CORPORATE TAX RATE.

(a) IN GENERAL.—Section 11(b) is amended to read as follows:

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—Except as otherwise provided in this subsection, the amount of the tax imposed by subsection (a) shall be 20 percent of taxable income.

''(2) SPECIAL RULE FOR PERSONAL SERVICE CORPORATIONS.—

''(A) IN GENERAL.—In the case of a personal service corporation (as defined in section 448(d)(2)), the amount of the tax imposed by subsection (a) shall be 25 percent of taxable income.

''(B) REFERENCES TO CORPORATE RATE.—Any reference to the rate imposed under this section or to the highest rate in effect under this section (or any similar reference) shall be determined without regard to the rate imposed with respect to personal service corporations (as so defined).''.

(b) CONFORMING AMENDMENTS.—

(1)(A) Part I of subchapter P of chapter 1 is amended by striking section 1201 (and by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraph (4).

(C) Section 527(b) is amended—

(i) by striking paragraph (2), and

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

''(b) TAX IMPOSED.—A tax''.

(D) Section 594(a) is amended by striking ''taxes imposed by section 11 or 1201(a)'' and inserting ''tax imposed by section 11''.

(E) Section 691(c)(4) is amended by striking ''1201,''.

(F) Section 801(a) is amended—

(i) by striking paragraph (2), and

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

''(a) TAX IMPOSED.—A tax''.

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

(H) Sections 832(c)(5) and 834(b)(1)(D) are each amended by striking ''sec. 1201 and following,''.

(I) Section 852(b)(3)(A) is amended by striking ''section 1201(a)'' and inserting ''section 11(b)(1)''.

(J) Section 857(b)(3) is amended—

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

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

(I) by striking ''subparagraph (A)(ii)'' in clause (i) thereof and inserting ''paragraph (1)'',

(II) by striking ''the tax imposed by subparagraph (A)(ii)'' in clauses (ii) and (iv) thereof and inserting ''the tax imposed by paragraph (1) on undistributed capital gain'',

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

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

''(F) UNDISTRIBUTED CAPITAL GAIN.—For purposes of this paragraph, the term 'undistributed capital gain' means the excess of the net capital gain over the deduction for dividends paid (as defined in section 561) determined with reference to capital gain dividends only.''.

(K) Section 882(a)(1) is amended by striking '', or 1201(a)''.

(L) Section 1374(b) is amended by striking paragraph (4).

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

(N) Section 6655(g)(1)(A)(i) is amended by striking ''or 1201(a),''.

(O) Section 7518(g)(6)(A) is amended by striking ''or 1201(a)''.

(2) Section 1445(e)(1) is amended by striking ''35 percent (or, to the extent provided in regulations, 20 percent)'' and inserting ''20 percent''.

(3) Section 1445(e)(2) is amended by striking ''35 percent'' and inserting ''20 percent''.

(4) Section 1445(e)(6) is amended by striking ''35 percent (or, to the extent provided in regulations, 20 percent)'' and inserting ''20 percent''.

(5)(A) Part I of subchapter B of chapter 5 is amended by striking the item relating to such section in the table of sections for such part).

(B) Section 12 is amended by striking paragraph (6).

(C) Section 535(c)(5) is amended to read as follows:

''(5) CROSS REFERENCE.—For limitation on credit provided in paragraph (2) or (3) in the case of certain controlled corporations, see section 1561.''.

(6)(A) Section 1561, as amended by the preceding provisions of this Act, is amended to read as follows:

''SEC. 1561. LIMITATION ON ACCUMULATED EARNINGS CREDIT IN THE CASE OF CERTAIN CONTROLLED CORPORATIONS.

''(a) IN GENERAL.—The component members of a controlled group of corporations on a December 31 shall, for their taxable years which include such December 31, be limited for purposes of this subtitle to one $250,000 ($150,000 if any component member is a corporation described in section 535(c)(2)(B)) amount for purposes of computing the accumulated earnings credit under section 535(c)(2) and (3). Such amount shall be divided equally among the component members of such group on such December 31 unless the Secretary prescribes regulations permitting an unequal allocation of such amount.

''(b) CERTAIN SHORT TAXABLE YEARS.—If a corporation has a short taxable year which does not include a December 31 and is a component member of a controlled group of corporations with respect to such taxable year, then for purposes of this subtitle, the amount to be used in computing the accumulated earnings credit under section 535(c)(2) and (3) of such corporation for such taxable year shall be the amount specified in subsection (a) with respect to such group, divided by the number of corporations which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.''.

(B) The table of sections for part II of subchapter B of chapter 5 is amended by striking the item relating to section 1561 and inserting the following new item:

''Sec. 1561. Limitation on accumulated earnings credit in the case of certain controlled corporations.''.

(7) Section 7518(g)(6)(A) is amended—

(A) by striking ''With respect to the portion'' and inserting ''In the case of a taxpayer other than a corporation, with respect to the portion'', and

(B) by striking ''(34 percent in the case of a corporation)''.

(c) REDUCTION IN DIVIDEND RECEIVED DEDUCTIONS TO REFLECT LOWER CORPORATE INCOME TAX RATES.—

(1) DIVIDENDS RECEIVED BY CORPORATIONS.—

(A) IN GENERAL.—Section 243(a)(1) is amended by striking ''70 percent'' and inserting ''50 percent''.

(B) DIVIDENDS FROM 20-PERCENT OWNED CORPORATIONS.—Section 243(c)(1) is amended—

(i) by striking ''80 percent'' and inserting ''65 percent'', and

(ii) by striking ''70 percent'' and inserting ''50 percent''.

(C) CONFORMING AMENDMENT.—The heading for section 243(c) is amended by striking ''RETENTION OF 80-PERCENT DIVIDEND RECEIVED DEDUCTION'' and inserting ''INCREASED PERCENTAGE''.

(2) DIVIDENDS RECEIVED FROM FSC.—Section 245(c)(1)(B) is amended—

(A) by striking ''70 percent'' and inserting ''50 percent'', and

(B) by striking ''80 percent'' and inserting ''65 percent''.

(3) LIMITATION ON AGGREGATE AMOUNT OF DEDUCTIONS.—Section 246(b)(3) is amended—

(A) by striking ''80 percent'' in subparagraph (A) and inserting ''65 percent'', and

(B) by striking ''70 percent'' in subparagraph (B) and inserting ''50 percent''.

(4) REDUCTION IN DEDUCTION WHERE PORTFOLIO STOCK IS DEBT-FINANCED.—Section 246A(a)(1) is amended—

(A) by striking ''70 percent'' and inserting ''50 percent'', and

(B) by striking ''80 percent'' and inserting ''65 percent''.

(5) INCOME FROM SOURCES WITHIN THE UNITED STATES.—Section 861(a)(2) is amended—

(A) by striking ''100/70th'' and inserting ''100/50th'' in subparagraph (B), and

(B) in the flush sentence at the end—

(i) by striking ''100/80th'' and inserting ''100/65th'', and

(ii) by striking ''100/70th'' and inserting ''100/50th''.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) CERTAIN CONFORMING AMENDMENTS.—The amendments made by paragraphs (2), (3), and (4) of subsection (b) shall apply to distributions after December 31, 2017.

(e) NORMALIZATION REQUIREMENTS.—

(1) IN GENERAL.—A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.

(2) ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.—If, as of the first day of the taxable year that includes the date of enactment of this Act—

(A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method, and

(B) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method,

the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction.

(3) DEFINITIONS.—For purposes of this subsection—

(A) EXCESS TAX RESERVE.—The term ''excess tax reserve'' means the excess of—

(i) the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986 as in effect on the day before the date of the enactment of this Act), over

(ii) the amount which would be the balance in such reserve if the amount of such reserve were determined by assuming that the corporate rate reductions provided in this Act were in effect for all prior periods.

(B) AVERAGE RATE ASSUMPTION METHOD.—The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, if timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying—

(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question, by

(ii) the amount of the timing differences which reverse during such period.

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

(i) computes the excess tax reserve on all public utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and

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

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

Subtitle B—Cost Recovery

SEC. 3101. INCREASED EXPENSING.

(a) 100 PERCENT EXPENSING.—Section 168(k)(1)(A) is amended by striking ''50 percent'' and inserting ''100 percent''.

(b) EXTENSION THROUGH JANUARY 1, 2023.—Section 168(k)(2) is amended—

(1) in subparagraph (A)(iii), by striking ''January 1, 2020'' and inserting ''January 1, 2023'',

(2) in subparagraph (B)(i)(II), by striking ''January 1, 2021'' and inserting ''January 1, 2024'',

(3) in subparagraph (B)(i)(III), by striking ''January 1, 2020'' and inserting ''January 1, 2023'',

(4) in subparagraph (B)(ii), by striking ''January 1, 2020'' in each place it appears and inserting ''January 1, 2023'', and

(5) in subparagraph (E)(i), by striking ''January 1, 2020'' and replacing it with ''January 1, 2023''.

(c) APPLICATION TO USED PROPERTY.—

(1) IN GENERAL.—Section 168(k)(2)(A)(ii) is amended to read as follows:

''(ii) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (ii) of subparagraph (E), and''.

(2) ACQUISITION REQUIREMENTS.—Section 168(k)(2)(E)(ii) is amended to read as follows:

''(ii) ACQUISITION REQUIREMENTS.—An acquisition of property meets the requirements of this clause if—

''(I) such property was not used by the taxpayer at any time prior to such acquisition, and

''(II) the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).'',

(3) ANTI-ABUSE RULES.—Section 168(k)(2)(E) is further amended by amending clause (iii)(I) to read as follows:

''(I) property is used by a lessor of such property and such use is the lessor's first use of such property,''.

(d) EXCEPTION FOR CERTAIN TRADES AND BUSINESSES NOT SUBJECT TO LIMITATION ON INTEREST EXPENSE.—Section 168(k)(2), as amended by section 2001, is amended by inserting after subparagraph (F) the following new subparagraph:

''(G) EXCEPTION FOR PROPERTY OF CERTAIN BUSINESSES NOT SUBJECT TO LIMITATION ON INTEREST EXPENSE.—The term 'qualified property' shall not include any property used in—

''(i) a trade or business described in subparagraph (B) or (C) of section 163(j)(7), or

''(ii) a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.''.

(e) COORDINATION WITH SECTION 280F.—Section 168(k)(2)(F) is amended—

(1) by striking ''$8,000'' in clauses (i) and (iii) and inserting ''$16,000'', and

(2) in clause (iii)—

(A) by striking ''placed in service by the taxpayer after December 31, 2017'' and inserting ''acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017'', and

(B) by redesignating subclauses (I) and (II) as subclauses (II) and (III) respectively, and inserting before clause (II), as so redesignated, the following new subclause:

''(I) in the case of a passenger automobile placed in service before January 1, 2018, '$8,000',''.

(f) CONFORMING AMENDMENTS.—

(1) Section 168(k)(2)(B)(i)(III), as amended, is amended by inserting ''binding'' before ''contract''.

(2) Section 168(k)(5) is amended by—

(A) by striking ''January 1, 2020'' in subparagraph (A) and inserting ''January 1, 2023'',

(B) by striking ''50 percent'' in subparagraph (A)(i) and inserting ''100 percent'', and

(C) by striking subparagraph (F).

(3) Section 168(k)(6) is amended to read as follows:

''(6) PHASE DOWN.—In the case of qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017, paragraph (1)(A) shall be applied by substituting for '100 percent'—

''(A) '50 percent' in the case of—

''(i) property placed in service before January 1, 2018, and

''(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2018,

''(B) '40 percent' in the case of—

''(i) property placed in service in 2018 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

''(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2019, and

''(C) '30 percent' in the case of—

''(i) property placed in service in 2019 (other than property described in subparagraph (B) or (C) of paragraph (2)), and

''(ii) property described in subparagraph (B) or (C) of paragraph (2) which is placed in service in 2020.''.

(4) The heading of section 168(k) is amended by striking ''SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER DECEMBER 31, 2007, AND BEFORE JANUARY 1, 2020'' and inserting ''FULL EXPENSING OF CERTAIN PROPERTY''.

(5) Section 460(c)(6)(B)(ii) is amended by striking ''January 1, 2020 (January 1, 2021 in the case of property described in section 168(k)(2)(B))'' and inserting ''January 1, 2023 (January 1, 2024 in the case of property described in section 168(k)(2)(B))''.

(g) EFFECTIVE DATE.—

(1) IN GENERAL.—Except at provided by paragraph (2), the amendments made by this section shall apply to property which—

(A) is acquired after September 27, 2017, and

(B) is placed in service after such date.

For purposes of the preceding sentence, property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.

(2) SPECIFIED PLANTS.—The amendments made by subsection (f)(2) shall apply to specified plants planted or grafted after September 27, 2017.

(3) TRANSITION RULE.—In the case of any taxpayer's first taxable year ending after September 27, 2017, the taxpayer may elect (at such time and in such form and manner as the Secretary of the Treasury, or his designee, may provide) to apply section 168 of the Internal Revenue Code of 1986 without regard to the amendments made by this section.

(4) LIMITATION ON NET OPERATING LOSS CARRYBACKS ATTRIBUTABLE TO FULL EXPENSING.—In the case of any taxable year which includes any portion of the period beginning on September 28, 2017, and ending on December 31, 2017, the amount of any net operating loss for such taxable year which may be treated as a net operating loss carryback (including any such carryback attributable to any specified liability loss under section 172(b)(1)(C), any corporate equity reduction interest loss under section 172(b)(1)(D), any eligible loss under section 172(b)(1)(E), and any farming loss under section 172(b)(1)(F)) shall be determined without regard to the amendments made by this section. For purposes of this paragraph, terms which are used in section 172 of the Internal Revenue Code of 1986 (determined without regard to the

amendments made by section 3302) shall have the same meaning as when used in such section.

Subtitle C—Small Business Reforms

SEC. 3201. EXPANSION OF SECTION 179 EXPENSING.

(a) INCREASED DOLLAR LIMITATIONS.—

(1) IN GENERAL.—Section 179(b) is amended—

(A) by inserting ''($5,000,000, in the case of taxable years beginning before January 1, 2023)'' after ''$500,000'' in paragraph (1), and

(B) by inserting ''($20,000,000, in the case of taxable years beginning before January 1, 2023)'' after ''$2,000,000'' in paragraph (2).

(2) INFLATION ADJUSTMENT.—Section 179(b)(6) is amended to read as follows:

''(6) INFLATION ADJUSTMENT.—

''(A) IN GENERAL.—In the case of a taxable year beginning after 2015 (2018 in the case of the $5,000,000 and $20,000,000 amounts in subsection (b)), each dollar amount in subsection (b) shall be increased by an amount equal to such dollar amount multiplied by—

''(i) in the case of the $500,000 and $2,000,000 amounts in subsection (b), the cost-of-living adjustment determined under section 1(c)(2) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2014' for 'calendar year 2016' in subparagraph (A)(ii) thereof, and

''(ii) in the case of the $5,000,000 and $20,000,000 amounts in subsection (b), the cost-of-living adjustment determined under section 1(c)(2) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

''(B) ROUNDING.—The amount of any increase under subparagraph (A) shall be rounded to the nearest multiple of $10,000 ($100,000 in the case of the $5,000,000 and $20,000,000 amounts in subsection (b)).''.

(b) APPLICATION TO QUALIFIED ENERGY EFFICIENT HEATING AND AIR-CONDITIONING PROPERTY.—

(1) IN GENERAL.—Section 179(f)(2) is amended by striking ''and'' at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting '', and'', and by adding at the end the following new subparagraph:

''(D) qualified energy efficient heating and air-conditioning property.''.

(2) QUALIFIED ENERGY EFFICIENT HEATING AND AIR-CONDITIONING PROPERTY.—Section 179(f) is amended by adding at the end the following new paragraph:

''(3) QUALIFIED ENERGY EFFICIENT HEATING AND AIR-CONDITIONING PROPERTY.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified energy efficient heating and air-conditioning property' means any section 1250 property—

''(i) with respect to which depreciation (or amortization in lieu of depreciation) is allowable,

''(ii) which is installed as part of a building's heating, cooling, ventilation, or hot water system, and

''(iii) which is within the scope of Standard 90.1–2007 or any successor standard.

''(B) STANDARD 90.1–2007.—The term 'Standard 90.1–2007' means Standard 90.1–2007 of the American Society of Heating, Refrigerating and Air-Conditioning Engineers and the Illuminating Engineering Society of North America (as in effect on the day before the date of the adoption of Standard 90.1–2010 of such Societies).''.

(c) EFFECTIVE DATE.—

(1) INCREASED DOLLAR LIMITATIONS.—The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2017.

(2) APPLICATION TO QUALIFIED ENERGY EFFICIENT HEATING AND AIR-CONDITIONING PROPERTY.—The amendments made by subsection (b) shall apply to property acquired and placed in service after November 2, 2017. For purposes of the preceding sentence, property shall not be treated as acquired after the date on which a written binding contract is entered into for such acquisition.

SEC. 3202. SMALL BUSINESS ACCOUNTING METHOD REFORM AND SIMPLIFICATION.

(a) MODIFICATION OF LIMITATION ON CASH METHOD OF ACCOUNTING.—

(1) INCREASED LIMITATION.—So much of section 448(c) as precedes paragraph (2) is amended to read as follows:

''(c) GROSS RECEIPTS TEST.—For purposes of this section—

''(1) IN GENERAL.—A corporation or partnership meets the gross receipts test of this subsection for any taxable year if the average annual gross receipts of such entity for the 3-taxable-year period ending with the taxable year which precedes such taxable year does not exceed $25,000,000.''.

(2) APPLICATION OF EXCEPTION ON ANNUAL BASIS.—Section 448(b)(3) is amended to read as follows:

''(3) ENTITIES WHICH MEET GROSS RECEIPTS TEST.—Paragraphs (1) and (2) of subsection (a) shall not apply to any corporation or partnership for any taxable year if such entity (or any predecessor) meets the gross receipts test of subsection (c) for such taxable year.''.

(3) INFLATION ADJUSTMENT.—Section 448(c) is amended by adding at the end the following new paragraph:

''(4) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning after December 31, 2018, the dollar amount in paragraph (1) shall be increased by an amount equal to—

''(A) such dollar amount, multiplied by

''(B) the cost-of-living adjustment determined under section 1(c)(2) for the calendar year in which the taxable year begins, by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

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

(4) COORDINATION WITH SECTION 481.—Section 448(d)(7) is amended to read as follows:

''(7) COORDINATION WITH SECTION 481.—Any change in method of accounting made pursuant to this section shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''.

(5) APPLICATION OF EXCEPTION TO CORPORATIONS ENGAGED IN FARMING.—

(A) IN GENERAL.—Section 447(c) is amended—

(i) by inserting ''for any taxable year'' after ''not being a corporation'' in the matter preceding paragraph (1), and

(ii) by amending paragraph (2) to read as follows:

''(2) a corporation which meets the gross receipts test of section 448(c) for such taxable year.''.

(B) COORDINATION WITH SECTION 481.—Section 447(f) is amended to read as follows:

''(f) COORDINATION WITH SECTION 481.—Any change in method of accounting made pursuant to this section shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''.

(C) CONFORMING AMENDMENTS.—Section 447 is amended—

(i) by striking subsections (d), (e), (h), and (i), and

(ii) by redesignating subsections (f) and (g) (as amended by subparagraph (B)) as subsections (d) and (e), respectively.

(b) EXEMPTION FROM UNICAP REQUIREMENTS.—

(1) IN GENERAL.—Section 263A is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

''(i) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—

''(1) IN GENERAL.—In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable year, this section shall not apply with respect to such taxpayer for such taxable year.

''(2) APPLICATION OF GROSS RECEIPTS TEST TO INDIVIDUALS, ETC.— In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if each trade or business of such taxpayer were a corporation or partnership.

''(3) COORDINATION WITH SECTION 481.—Any change in method of accounting made pursuant to this subsection shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''.

(2) CONFORMING AMENDMENT.—Section 263A(b)(2) is amended to read as follows:

''(2) PROPERTY ACQUIRED FOR RESALE.—Real or personal property described in section 1221(a)(1) which is acquired by the taxpayer for resale.''.

(c) EXEMPTION FROM INVENTORIES.—Section 471 is amended by redesignating subsection (c) as subsection (d) and by inserting after subsection (b) the following new subsection:

''(c) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—

''(1) IN GENERAL.—In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable year—

''(A) subsection (a) shall not apply with respect to such taxpayer for such taxable year, and

''(B) the taxpayer's method of accounting for inventory for such taxable year shall not be treated as failing to clearly reflect income if such method either—

''(i) treats inventory as non-incidental materials and supplies, or

''(ii) conforms to such taxpayer's method of accounting reflected in an applicable financial statement of the taxpayer with respect to such taxable year or, if the taxpayer does not have any applicable financial statement with respect to such taxable year, the books and records of the taxpayer prepared in accordance with the taxpayer's accounting procedures.

''(2) APPLICABLE FINANCIAL STATEMENT.—For purposes of this subsection, the term 'applicable financial statement' means—

''(A) a financial statement which is certified as being prepared in accordance with generally accepted accounting principles and which is—

''(i) a 10-K (or successor form), or annual statement to shareholders, required to be filed by the taxpayer with the United States Securities and Exchange Commission,

''(ii) an audited financial statement of the taxpayer which is used for—

''(I) credit purposes,

''(II) reporting to shareholders, partners, or other proprietors, or to beneficiaries, or

''(III) any other substantial nontax purpose,

but only if there is no statement of the taxpayer described in clause (i), or

''(iii) filed by the taxpayer with any other Federal or State agency for nontax purposes, but only if there is no statement of the taxpayer described in clause (i) or (ii), or

''(B) a financial statement of the taxpayer which—

''(i) is used for a purpose described in subclause (I), (II), or (III) of subparagraph (A)(ii), or

''(ii) filed by the taxpayer with any regulatory or governmental body (whether domestic or foreign) specified by the Secretary,

but only if there is no statement of the taxpayer described in subparagraph (A).

''(3) APPLICATION OF GROSS RECEIPTS TEST TO INDIVIDUALS, ETC.—In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if each trade or

business of such taxpayer were a corporation or partnership.

''(4) COORDINATION WITH SECTION 481.—Any change in method of accounting made pursuant to this subsection shall be treated for purposes of section 481 as initiated by the taxpayer and made with the consent of the Secretary.''.

(d) EXEMPTION FROM PERCENTAGE COMPLETION FOR LONG-TERM CONTRACTS.—

(1) IN GENERAL.—Section 460(e)(1)(B) is amended—

(A) by inserting ''(other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3))'' after ''taxpayer'' in the matter preceding clause (i), and

(B) by amending clause (ii) to read as follows:

''(ii) who meets the gross receipts test of section 448(c) for the taxable year in which such contract is entered into.''.

(2) CONFORMING AMENDMENTS.—Section 460(e) is amended by striking paragraphs (2) and (3), by redesignating paragraphs (4), (5), and (6) as paragraphs (3), (4), and (5), respectively, and by inserting after paragraph (1) the following new paragraph:

''(2) RULES RELATED TO GROSS RECEIPTS TEST.—

''(A) APPLICATION OF GROSS RECEIPTS TEST TO INDIVIDUALS, ETC.— For purposes of paragraph (1)(B)(ii), in the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if each trade or business of such taxpayer were a corporation or partnership.

''(B) COORDINATION WITH SECTION 481.—Any change in method of accounting made pursuant to paragraph (1)(B)(ii) shall be treated as initiated by the taxpayer and made with the consent of the Secretary. Such change shall be effected on a cut-off basis for all similarly classified contracts entered into on or after the year of change.''.

(e) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) PRESERVATION OF SUSPENSE ACCOUNT RULES WITH RESPECT TO ANY EXISTING SUSPENSE ACCOUNTS.—So much of the amendments made by subsection (a)(5)(C) as relate to section 447(i) of the Internal Revenue Code of 1986 shall not apply with respect to any suspense account established under such section before the date of the enactment of this Act.

(3) EXEMPTION FROM PERCENTAGE COMPLETION FOR LONG-TERM CONTRACTS.—The amendments made by subsection (d) shall apply to contracts entered into after December 31, 2017, in taxable years ending after such date.

SEC. 3203. SMALL BUSINESS EXCEPTION FROM LIMITATION ON DEDUCTION OF BUSINESS INTEREST.

(a) IN GENERAL.—Section 163(j)(2), as amended by section 3301, is amended to read as follows:

''(2) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—In the case of any taxpayer (other than a tax shelter prohibited from using the cash receipts and disbursements method of accounting under section 448(a)(3)) which meets the gross receipts test of section 448(c) for any taxable year, paragraph (1) shall not apply to such taxpayer for such taxable year. In the case of any taxpayer which is not a corporation or a partnership, the gross receipts test of section 448(c) shall be applied in the same manner as if such taxpayer were a corporation or partnership.''.

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

SEC. 3204. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS.

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

''(d) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—

''(1) IN GENERAL.—In the case of an eligible terminated S corporation, any adjustment required by subsection (a)(2) which is attributable to such corporation's revocation described in paragraph (2)(A)(ii) shall be taken into account ratably during the 6-taxable year period beginning with the year of change.

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

''(A) which—

''(i) was an S corporation on the day before the date of the enactment of the Tax Cuts and Jobs Act, and

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

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

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

''(f) CASH DISTRIBUTIONS FOLLOWING POST-TERMINATION TRANSITION PERIOD.—In the case of a distribution of money by an eligible terminated S corporation (as defined in section 481(d)) after the post-termination transition period, the accumulated adjustments account shall be allocated to such distribution, and the distribution shall be chargeable to accumulated earnings and profits, in the same ratio as the amount of such accumulated adjustments account bears to the amount of such accumulated earnings and profits.''.

Subtitle D—Reform of Business-related Exclusions, Deductions, etc.

SEC. 3301. INTEREST.

(a) IN GENERAL.—Section 163(j) is amended to read as follows:

''(j) LIMITATION ON BUSINESS INTEREST.—

''(1) IN GENERAL.—In the case of any taxpayer for any taxable year, the amount allowed as a deduction under this chapter for business interest shall not exceed the sum of—

''(A) the business interest income of such taxpayer for such taxable year,

''(B) 30 percent of the adjusted taxable income of such taxpayer for such taxable year, plus

''(C) the floor plan financing interest of such taxpayer for such taxable year.

The amount determined under subparagraph (B) (after any increases in such amount under paragraph (3)(A)(iii)) shall not be less than zero.

''(2) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—For exemption for certain small businesses, see the amendment made by section 3203 of the Tax Cuts and Jobs Act.

''(3) APPLICATION TO PARTNERSHIPS, ETC.—

''(A) IN GENERAL.—In the case of any partnership—

''(i) this subsection shall be applied at the partnership level and any deduction for business interest shall be taken into account in determining the non-separately stated taxable income or loss of the partnership,

''(ii) the adjusted taxable income of each partner of such partnership shall be determined without regard to such partner's distributive share of the non-separately stated taxable income or loss of such partnership, and

''(iii) the amount determined under paragraph (1)(B) with respect to each partner of such partnership shall be increased by such partner's distributive share of such partnership's excess amount.

''(B) EXCESS AMOUNT.—The term 'excess amount' means, with respect to any partnership, the excess (if any) of—

''(i) 30 percent of the adjusted taxable income of the partnership, over

''(ii) the amount (if any) by which the business interest of the partnership, reduced by floor plan financing interest, exceeds the business interest income of the partnership.

''(C) APPLICATION TO S CORPORATIONS.—Rules similar to the rules of subparagraphs (A) and (B) shall apply with respect to any S corporation and its shareholders.

''(4) BUSINESS INTEREST.—For purposes of this subsection, the term 'business interest' means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

''(5) BUSINESS INTEREST INCOME.—For purposes of this subsection, the term 'business interest income' means the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

''(6) ADJUSTED TAXABLE INCOME.—For purposes of this subsection, the term 'adjusted taxable income' means the taxable income of the taxpayer—

''(A) computed without regard to—

''(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business,

''(ii) any business interest or business interest income,

''(iii) the amount of any net operating loss deduction under section 172, and

''(iv) any deduction allowable for depreciation, amortization, or depletion, and

''(B) computed with such other adjustments as the Secretary may provide.

''(7) TRADE OR BUSINESS.—For purposes of this subsection, the term 'trade or business' shall not include—

''(A) the trade or business of performing services as an employee,

''(B) a real property trade or business (as such term is defined in section 469(c)(7)(C)), or

''(C) the trade or business of the furnishing or sale of—

''(i) electrical energy, water, or sewage disposal services,

''(ii) gas or steam through a local distribution system, or

''(iii) transportation of gas or steam by pipeline,

if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof.

''(8) CARRYFORWARD OF DISALLOWED INTEREST.—For carryforward of interest disallowed under paragraph (1), see subsection (o).

''(9) FLOOR PLAN FINANCING INTEREST DEFINED.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'floor plan financing interest' means interest paid or accrued on floor plan financing indebtedness.

''(B) FLOOR PLAN FINANCING INDEBTEDNESS.—The term 'floor plan financing indebtedness' means indebtedness—

''(i) used to finance the acquisition of motor vehicles held for sale to retail customers, and

''(ii) secured by the inventory so acquired.

''(C) MOTOR VEHICLE.—The term 'motor vehicle' means a motor vehicle that is any of the following:

''(i) An automobile.

''(ii) A truck.

''(iii) A recreational vehicle.

''(iv) A motorcycle.

''(v) A boat.

''(vi) Farm machinery or equipment.

''(vii) Construction machinery or equipment.''.

(b) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—Section 163, after amendment by section 4302(a) and before amendment by section

4302(b), is amended by inserting after subsection (n) the following new subsection:

''(o) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The amount of any business interest not allowed as a deduction for any taxable year by reason of subsection (j) shall be treated as business interest paid or accrued in the succeeding taxable year. Business interest paid or accrued in any taxable year (determined without regard to the preceding sentence) shall not be carried past the 5th taxable year following such taxable year, determined by treating business interest as allowed as a deduction on a first-in, first-out basis.''.

(c) TREATMENT OF CARRYFORWARD OF DISALLOWED BUSINESS INTEREST IN CERTAIN CORPORATE ACQUISITIONS.—

(1) IN GENERAL.—Section 381(c) is amended by inserting after paragraph (19) the following new paragraph:

''(20) CARRYFORWARD OF DISALLOWED INTEREST.—The carryover of disallowed interest described in section 163(o) to taxable years ending after the date of distribution or transfer.''.

(2) APPLICATION OF LIMITATION.—Section 382(d) is amended by adding at the end the following new paragraph:

''(3) APPLICATION TO CARRYFORWARD OF DISALLOWED INTEREST.—The term 'pre-change loss' shall include any carryover of disallowed interest described in section 163(o) under rules similar to the rules of paragraph (1).''.

(3) CONFORMING AMENDMENT.—Section 382(k)(1) is amended by inserting after the first sentence the following: ''Such term shall include any corporation entitled to use a carryforward of disallowed interest described in section 381(c)(20).''

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

SEC. 3302. MODIFICATION OF NET OPERATING LOSS DEDUCTION.

(a) INDEFINITE CARRYFORWARD OF NET OPERATING LOSSES.—Section 172(b)(1)(A)(ii) is amended by striking ''to each of the 20 taxable years'' and inserting ''to each taxable year''.

(b) REPEAL OF NET OPERATING LOSS CARRYBACKS OTHER THAN 1-YEAR CARRYBACK OF ELIGIBLE DISASTER LOSSES.—

(1) IN GENERAL.—Section 172(b)(1)(A)(i) is amended to read as follows:

''(i) in the case of any portion of a net operating loss for the taxable year which is an eligible disaster loss with respect to the taxpayer, shall be a net operating loss carryback to the taxable year preceding the taxable year of such loss, and''.

(2) CONFORMING AMENDMENTS.—

(A) Section 172(b)(1) is amended by striking subparagraphs (B) through (F) and inserting the following:

''(B) ELIGIBLE DISASTER LOSS.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(i), the term 'eligible disaster loss' means—

''(I) in the case of a taxpayer which is a small business, net operating losses attributable to federally declared disasters (as defined by section 165(i)(5)), and

''(II) in the case of a taxpayer engaged in the trade or business of farming, net operating losses attributable to such federally declared disasters.

''(ii) SMALL BUSINESS.—For purposes of this subparagraph, the term 'small business' means a corporation or partnership which meets the gross receipts test of section 448(c) (determined by substituting '$5,000,000' for '$25,000,000' each place it appears therein) for the taxable year in which the loss arose (or, in the case of a sole proprietorship, which would meet such test if such proprietorship were a corporation).

''(iii) TRADE OR BUSINESS OF FARMING.—For purposes of this subparagraph, the trade or business of farming shall include the trade or business of—

''(I) operating a nursery or sod farm, or

''(II) the raising or harvesting of trees bearing fruit, nuts, or other crops, or ornamental trees. For purposes of subclause (II), an evergreen tree which is more than 6 years old at the time severed from the roots shall not be treated as an ornamental tree.''.

(B) Section 172 is amended by striking subsections (f), (g), and (h).

(c) LIMITATION OF NET OPERATING LOSS TO 90 PERCENT OF TAXABLE INCOME.—

(1) IN GENERAL.—Section 172(a) is amended to read as follows:

''(a) DEDUCTION ALLOWED.—There shall be allowed as a deduction for the taxable year an amount equal to the lesser of—

''(1) the aggregate of the net operating loss carryovers to such year, plus the net operating loss carrybacks to such year, or

''(2) 90 percent of taxable income computed without regard to the deduction allowable under this section.

For purposes of this subtitle, the term 'net operating loss deduction' means the deduction allowed by this subsection.''.

(2) COORDINATION OF LIMITATION WITH CARRYBACKS AND CARRYOVERS.—Section 172(b)(2) is amended by striking ''shall be computed—'' and all that follows and inserting ''shall—

''(A) be computed with the modifications specified in subsection (d) other than paragraphs (1), (4), and (5) thereof, and by determining the amount of the net operating loss deduction without regard to the net operating loss for the loss year or for any taxable year thereafter,

''(B) not be considered to be less than zero, and

''(C) not exceed the amount determined under subsection (a)(2) for such prior taxable year.''.

(3) CONFORMING AMENDMENT.—Section 172(d)(6) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ''; and'', and by adding at the end the following new subparagraph:

''(C) subsection (a)(2) shall be applied by substituting 'real estate investment trust taxable income (as defined in section 857(b)(2) but without regard to the deduction for dividends paid (as defined in section 561))' for 'taxable income'.''.

(d) ANNUAL INCREASE OF INDEFINITE CARRYOVER AMOUNTS.—Section 172(b) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

''(3) ANNUAL INCREASE OF INDEFINITE CARRYOVER AMOUNTS.—For purposes of paragraph (2)—

''(A) the amount of any indefinite net operating loss which is carried to the next succeeding taxable year after the loss year (within the meaning of paragraph (2)) shall be increased by an amount equal to—

''(i) the amount of the loss which may be so carried over to such succeeding taxable year (determined without regard to this paragraph), multiplied by

''(ii) the sum of—

''(I) the annual Federal short-term rate (determined under section 1274(d)) for the last month ending before the beginning of such taxable year, plus

''(II) 4 percentage points, and

''(B) the amount of any indefinite net operating loss which is carried to any succeeding taxable year (after such next succeeding taxable year) shall be an amount equal to—

''(i) the excess of—

''(I) the amount of the loss carried to the prior taxable year (after any increase under this paragraph with respect to such amount), over

''(II) the amount by which such loss was reduced under paragraph (2) by reason of the taxable income for such prior taxable year, multiplied by

''(ii) a percentage equal to 100 percent plus the percentage determined under subparagraph (A)(ii) with respect to such succeeding taxable year.

For purposes of the preceding sentence, the term 'indefinite net operating loss' means any net operating loss arising in a taxable year beginning after December 31, 2017.''.

(e) EFFECTIVE DATE.—

(1) CARRYFORWARDS AND CARRYBACKS.—The amendments made by subsections (a) and (b) shall apply to net operating losses arising in taxable years beginning after December 31, 2017.

(2) NET OPERATING LOSS LIMITED TO 90 PERCENT OF TAXABLE INCOME.—The amendments made by subsection (c) shall apply to taxable years beginning after December 31, 2017.

(3) ANNUAL INCREASE IN CARRYOVER AMOUNTS.—The amendments made by subsection (d) shall apply to amounts carried to taxable years beginning after December 31, 2017.

(4) SPECIAL RULE FOR NET DISASTER LOSSES.—Notwithstanding paragraph (1), the amendments made by subsection (b) shall not apply to the portion of the net operating loss for any taxable year which is a net disaster loss to which section 504(b) of the Disaster Tax Relief and Airport and Airway Extension Act of 2017 applies.

SEC. 3303. LIKE-KIND EXCHANGES OF REAL PROPERTY.

(a) IN GENERAL.—Section 1031(a)(1) is amended by striking ''property'' each place it appears and inserting ''real property''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1031(a) is amended to read as follows:

''(2) EXCEPTION FOR REAL PROPERTY HELD FOR SALE.—This subsection shall not apply to any exchange of real property held primarily for sale.''.

(2) Section 1031 is amended by striking subsections (e) and (i).

(3) Section 1031, as amended by paragraph (2), is amended by inserting after subsection (d) the following new subsection:

''(e) APPLICATION TO CERTAIN PARTNERSHIPS.—For purposes of this section, an interest in a partnership which has in effect a valid election under section 761(a) to be excluded from the application of all of subchapter K shall be treated as an interest in each of the assets of such partnership and not as an interest in a partnership.''.

(4) Section 1031(h) is amended to read as follows:

''(h) SPECIAL RULES FOR FOREIGN REAL PROPERTY.—Real property located in the United States and real property located outside the United States are not property of a like kind.''.

(5) The heading of section 1031 is amended by striking ''**PROPERTY**'' and inserting ''**REAL PROPERTY**''.

(6) The table of sections for part III of subchapter O of chapter 1 is amended by striking the item relating to section 1031 and inserting the following new item:

''Sec. 1031. Exchange of real property held for productive use or investment.''.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to exchanges completed after December 31, 2017.

(2) TRANSITION RULE.—The amendments made by this section shall not apply to any exchange if—

(A) the property disposed of by the taxpayer in the exchange is disposed of on or before December 31 2017, or

(B) the property received by the taxpayer in the exchange is received on or before December 31, 2017.

SEC. 3304. REVISION OF TREATMENT OF CONTRIBUTIONS TO CAPITAL.

(a) INCLUSION OF CONTRIBUTIONS TO CAPITAL.—Part II of subchapter B of chapter 1 is amended by inserting after section 75 the following new section:

''SEC. 76. CONTRIBUTIONS TO CAPITAL.

''(a) IN GENERAL.—Gross income includes any contribution to the capital of any entity.

''(b) TREATMENT OF CONTRIBUTIONS IN EXCHANGE FOR STOCK, ETC.—

''(1) IN GENERAL.—In the case of any contribution of money or other property to a corporation in exchange for stock of such corporation—

''(A) such contribution shall not be treated for purposes of subsection (a) as a contribution to the capital of such corporation (and shall not be includible in the gross income of such corporation), and

''(B) no gain or loss shall be recognized to such corporation upon the issuance of such stock.

''(2) TREATMENT LIMITED TO VALUE OF STOCK.—For purposes of this subsection, a contribution of money or other property to a corporation shall be treated as being in exchange for stock of such corporation only to the extent that the fair market value of such money and other property does not exceed the fair market value of such stock.

''(3) APPLICATION TO ENTITIES OTHER THAN CORPORATIONS.—In the case of any entity other than a corporation, rules similar to the rules of paragraphs (1) and (2) shall apply in the case of any contribution of money or other property to such entity in exchange for any interest in such entity.

''(c) TREASURY STOCK TREATED AS STOCK.—Any reference in this section to stock shall be treated as including a reference to treasury stock.''.

(b) BASIS OF CORPORATION IN CONTRIBUTED PROPERTY.—

(1) CONTRIBUTIONS TO CAPITAL.—Subsection (c) of section 362 is amended to read as follows:

''(c) CONTRIBUTIONS TO CAPITAL.—If property other than money is transferred to a corporation as a contribution to the capital of such corporation (within the meaning of section 76) then the basis of such property shall be the greater of—

''(1) the basis determined in the hands of the transferor, increased by the amount of gain recognized to the transferor on such transfer, or

''(2) the amount included in gross income by such corporation under section 76 with respect to such contribution.''.

(2) CONTRIBUTIONS IN EXCHANGE FOR STOCK.—Paragraph (2) of section 362(a) is amended by striking ''contribution to capital'' and inserting ''contribution in exchange for stock of such corporation (determined under rules similar to the rules of paragraphs (2) and (3) of section 76(b))''.

(c) CONFORMING AMENDMENTS.—

(1) Section 108(e) is amended by striking paragraph (6).

(2) Part III of subchapter B of chapter 1 is amended by striking section 118 (and by striking the item relating to such section in the table of sections for such part).

(3) The table of sections for part II of subchapter B of chapter 1 is amended by inserting after the item relating to section 75 the following new item:

''Sec. 76. Contributions to capital.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions made, and transactions entered into, after the date of the enactment of this Act.

SEC. 3305. REPEAL OF DEDUCTION FOR LOCAL LOBBYING EXPENSES.

(a) IN GENERAL.—Section 162(e) is amended by striking paragraphs (2) and (7) and by redesignating paragraphs (3), (4), (5), (6), and (8) as paragraphs (2), (3), (4), (5), and (6), respectively.

(b) CONFORMING AMENDMENT.—Section 6033(e)(1)(B)(ii) is amended by striking ''section 162(e)(5)(B)(ii)'' and inserting ''section 162(e)(4)(B)(ii)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.

SEC. 3306. REPEAL OF DEDUCTION FOR INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by striking section 199 (and by striking the item relating to such section in the table of sections for such part).

(b) CONFORMING AMENDMENTS.—

(1) Sections 74(d)(2)(B), 86(b)(2)(A), 137(b)(3)(A), 219(g)(3)(A)(ii), and 246(b)(1) are each amended by striking ''199,''.

(2) Section 170(b)(2)(D), as amended by the preceding provisions of this Act, is amended by striking clause (iv), by redesignating clause (v) as clause (iv), and by inserting ''and'' at the end of clause (iii).

(3) Section 172(d) is amended by striking paragraph (7).

(4) Section 613(a) is amended by striking ''and without the deduction under section 199''.

(5) Section 613A(d)(1) is amended by striking subparagraph (B) and by redesignating subparagraphs (C), (D), and (E) as subparagraphs (B), (C), and (D), respectively.

(6) Section 1402(a) is amended by adding ''and'' at the end of paragraph (15) and by striking paragraph (16).

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

SEC. 3307. ENTERTAINMENT, ETC. EXPENSES.

(a) DENIAL OF DEDUCTION.—Subsection (a) of section 274 is amended to read as follows:

''(a) ENTERTAINMENT, AMUSEMENT, RECREATION, AND OTHER FRINGE BENEFITS .—

''(1) IN GENERAL.—No deduction otherwise allowable under this chapter shall be allowed for amounts paid or incurred for any of the following items:

''(A) ACTIVITY.—With respect to an activity which is of a type generally considered to constitute entertainment, amusement, or recreation.

''(B) MEMBERSHIP DUES.—With respect to membership in any club organized for business, pleasure, recreation or other social purposes.

''(C) AMENITY.—With respect to a de minimis fringe (as defined in section 132(e)(1)) that is primarily personal in nature and involving property or services that are not directly related to the taxpayer's trade or business.

''(D) FACILITY.—With respect to a facility or portion thereof used in connection with an activity referred to in subparagraph (A), membership dues or similar amounts referred to in subparagraph (B), or an amenity referred to in subparagraph (C).

''(E) QUALIFIED TRANSPORTATION FRINGE AND PARKING FACILITY.—Which is a qualified transportation fringe (as defined in section 132(f)) or which is a parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)).

''(F) ON-PREMISES ATHLETIC FACILITY.—Which is an on-premises athletic facility as defined in section 132(j)(4)(B).

''(2) SPECIAL RULES.—For purposes of applying paragraph (1), an activity described in section 212 shall be treated as a trade or business.

''(3) REGULATIONS.—Under the regulations prescribed to carry out this section, the Secretary shall include regulations—

''(A) defining entertainment, amenities, recreation, amusement, and facilities for purposes of this subsection,

''(B) providing for the appropriate allocation of depreciation and other costs with respect to facilities used for parking or for on-premises athletic facilities, and

''(C) specifying arrangements a primary purpose of which is the avoidance of this subsection.''.

(b) EXCEPTION FOR CERTAIN EXPENSES INCLUDIBLE IN INCOME OF RECIPIENT.—

(1) EXPENSES TREATED AS COMPENSATION.—Paragraph (2) of section 274(e) is amended to read as follows:

''(2) EXPENSES TREATED AS COMPENSATION.—Expenses for goods, services, and facilities, to the extent that the expenses do not exceed the amount of the expenses which are treated by the taxpayer, with respect to the recipient of the entertainment, amusement, or recreation, as compensation to an employee on the taxpayer's return of tax under this chapter and as wages to such employee for purposes of chapter 24 (relating to withholding of income tax at source on wages).''.

(2) EXPENSES INCLUDIBLE IN INCOME OF PERSONS WHO ARE NOT EMPLOYEES.—Paragraph (9) of section 274(e) is amended by striking ''to the extent that the expenses'' and inserting ''to the extent that the expenses do not exceed the amount of the expenses that''.

(c) EXCEPTIONS FOR REIMBURSED EXPENSES.—Paragraph (3) of section 274(e) is amended to read as follows:

''(3) REIMBURSED EXPENSES.—

''(A) IN GENERAL.—Expenses paid or incurred by the taxpayer, in connection with the performance by him of services for another person (whether or not such other person is the taxpayer's employer), under a reimbursement or other expense allowance arrangement with such other person, but this paragraph shall apply—

''(i) where the services are performed for an employer, only if the employer has not treated such expenses in the manner provided in paragraph (2), or

''(ii) where the services are performed for a person other than an employer, only if the taxpayer accounts (to the extent provided by subsection (d)) to such person.

''(B) EXCEPTION.—Except as provided by the Secretary, subparagraph (A) shall not apply—

''(i) in the case of an arrangement in which the person other than the employer is an entity described in section 168(h)(2)(A), or

''(ii) to any other arrangement designated by the Secretary as having the effect of avoiding the limitation under subparagraph (A).''.

(d) 50 PERCENT LIMITATION ON MEALS AND ENTERTAINMENT EXPENSES.—Subsection (n) of section 274 is amended to read as follows:

''(n) LIMITATION ON CERTAIN EXPENSES.—

''(1) IN GENERAL.—The amount allowable as a deduction under this chapter for any expense for food or beverages (pursuant to subsection (e)(1)) or business meals (pursuant to subsection (k)(1)) shall not exceed 50 percent of the amount of such expense or item which would (but for this paragraph) be allowable as a deduction under this chapter.

''(2) EXCEPTIONS.—Paragraph (1) shall not apply to any expense if—

''(A) such expense is described in paragraph (2), (3), (6), (7), or (8) of subsection (e),

''(B) in the case of an expense for food or beverages, such expense is excludable from the gross income of the recipient under section 132 by reason of subsection (e) thereof (relating to de minimis fringes) or under section 119 (relating to meals and lodging furnished for convenience of employer), or

''(C) in the case of an employer who pays or reimburses moving expenses of an employee, such expenses are includible in the income of the employee under section 82.

''(3) SPECIAL RULE FOR INDIVIDUALS SUBJECT TO FEDERAL HOURS OF SERVICE.—In the case of any expenses for food or beverages consumed while away from home (within the meaning of section 162(a)(2)) by an individual during, or incident to, the period of duty subject to the hours of service limitations of the Department of Transportation, paragraph (1) shall be applied by substituting '80 percent' for '50 percent'.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 274(d) is amended—

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

(B) in the flush material following paragraph (3) (as so redesignated)—

(i) by striking '', entertainment, amusement, recreation, or'' in item (B), and

(ii) by striking ''(D) the business relationship to the taxpayer of persons entertained, using the facility or property, or receiving the gift'' and inserting ''(D) the business relationship to the taxpayer of the person receiving the benefit''.

(2) Section 274(e) is amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(3) Section 274(k)(2)(A) is amended by striking ''(4), (7), (8), or (9)'' and inserting ''(6), (7), or (8)''.

(4) Section 274 is amended by striking subsection (l).

(5) Section 274(m)(1)(B)(ii) is amended by striking ''(4), (7), (8), or (9)'' and inserting ''(6), (7), or (8)''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.

SEC. 3308. UNRELATED BUSINESS TAXABLE INCOME INCREASED BY AMOUNT OF CERTAIN FRINGE BENEFIT EXPENSES FOR WHICH DEDUCTION IS DISALLOWED.

(a) IN GENERAL.—Section 512(a) is amended by adding at the end the following new paragraph:

''(6) INCREASE IN UNRELATED BUSINESS TAXABLE INCOME BY DISALLOWED FRINGE.—Unrelated business taxable income of an organization shall be increased by any amount for which a deduction is not allowable under this chapter by reason of section 274 and which is paid or incurred by such organization for any qualified transportation fringe (as defined in section 132(f)), any parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)), or any on-premises athletic facility (as defined in section 132(j)(4)(B)). The preceding sentence shall not apply to the extent the amount paid or incurred is directly connected with an unrelated trade or business which is regularly carried on by the organization. The Secretary may issue such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations or other guidance providing for the appropriate allocation of depreciation and other costs with respect to facilities used for parking or for on-premises athletic facilities.

''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to amounts paid or incurred after December 31, 2017.

SEC. 3309. LIMITATION ON DEDUCTION FOR FDIC PREMIUMS.

(a) IN GENERAL.—Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

''(q) DISALLOWANCE OF FDIC PREMIUMS PAID BY CERTAIN LARGE FINANCIAL INSTITUTIONS.—

''(1) IN GENERAL.—No deduction shall be allowed for the applicable percentage of any FDIC premium paid or incurred by the taxpayer.

''(2) EXCEPTION FOR SMALL INSTITUTIONS.—Paragraph (1) shall not apply to any taxpayer for any taxable year if the total consolidated assets of such taxpayer (determined as of the close of such taxable year) do not exceed $10,000,000,000.

''(3) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term 'applicable percentage' means, with respect to any taxpayer for any taxable year, the ratio (expressed as a percentage but not greater than 100 percent) which—

''(A) the excess of—

''(i) the total consolidated assets of such taxpayer (determined as of the close of such taxable year), over

''(ii) $10,000,000,000, bears to

''(B) $40,000,000,000.

''(4) FDIC PREMIUMS.—For purposes of this subsection, the term 'FDIC premium' means any assessment imposed under section 7(b) of the Federal Deposit Insurance Act (12 U.S.C. 1817(b)).

''(5) TOTAL CONSOLIDATED ASSETS.—For purposes of this subsection, the term 'total consolidated assets' has the meaning given such term under section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (12 U.S.C. 5365).

''(6) AGGREGATION RULE.—

''(A) IN GENERAL.—Members of an expanded affiliated group shall be treated as a single taxpayer for purposes of applying this subsection.

''(B) EXPANDED AFFILIATED GROUP.—For purposes of this paragraph, the term 'expanded affiliated group' means an affiliated group as defined in section 1504(a), determined—

''(i) by substituting 'more than 50 percent' for 'at least 80 percent' each place it appears, and

''(ii) without regard to paragraphs (2) and (3) of section 1504(b).

A partnership or any other entity (other than a corporation) shall be treated as a member of an expanded affiliated group if such entity is controlled (within the meaning of section 954(d)(3)) by members of such group (including any entity treated as a member of such group by reason of this sentence).''.

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

SEC. 3310. REPEAL OF ROLLOVER OF PUBLICLY TRADED SECURITIES GAIN INTO SPECIALIZED SMALL BUSINESS INVESTMENT COMPANIES.

(a) IN GENERAL.—Part III of subchapter O of chapter 1 is amended by striking section 1044 (and by striking the item relating to such section in the table of sections of such part).

(b) CONFORMING AMENDMENTS.—Section 1016(a)(23) is amended—

(1) by striking ''1044,'', and

(2) by striking ''1044(d),''.

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

SEC. 3311. CERTAIN SELF-CREATED PROPERTY NOT TREATED AS A CAPITAL ASSET.

(a) PATENTS, ETC.—Section 1221(a)(3) is amended by inserting ''a patent, invention, model or design (whether or not patented), a secret formula or process,'' before ''a copyright''.

(b) CONFORMING AMENDMENT.—Section 1231(b)(1)(C) is amended by inserting ''a patent, invention, model or design (whether or not patented), a secret formula or process,'' before ''a copyright''.

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

SEC. 3312. REPEAL OF SPECIAL RULE FOR SALE OR EXCHANGE OF PATENTS.

(a) IN GENERAL.—Part IV of subchapter P of chapter 1 is amended by striking section 1235 (and by striking the item relating to such section in the table of sections of such part).

(b) CONFORMING AMENDMENTS.—

(1) Section 483(d) is amended by striking paragraph (4).

(2) Section 901(l)(5) is amended by striking ''without regard to section 1235 or any similar rule'' and inserting ''without regard to any provision which treats a disposition as a sale or exchange of a capital asset held for more than 1 year or any similar provision''.

(3) Section 1274(c)(3) is amended by striking subparagraph (E) and redesignating subparagraph (F) as subparagraph (E).

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

SEC. 3313. REPEAL OF TECHNICAL TERMINATION OF PARTNERSHIPS.

(a) IN GENERAL.—Paragraph (1) of section 708(b) is amended—

(1) by striking '', or'' at the end of subparagraph (A) and all that follows and inserting a period, and

(2) by striking ''only if—'' and all that follows through ''no part of any business'' and inserting the following: ''only if no part of any business''.

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

SEC. 3314. RECHARACTERIZATION OF CERTAIN GAINS IN THE CASE OF PARTNERSHIP PROFITS INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF INVESTMENT SERVICES.

(a) IN GENERAL.—Part IV of subchapter O of chapter 1 is amended—

(1) by redesignating section 1061 as section 1062, and

(2) by inserting after section 1060 the following new section:

''SEC. 1061. PARTNERSHIP INTERESTS HELD IN CONNECTION WITH PERFORMANCE OF SERVICES.

''(a) IN GENERAL.—If one or more applicable partnership interests are held by a taxpayer at any time during the taxable year, the excess (if any) of—

''(1) the taxpayer's net long-term capital gain with respect to such interests for such taxable year, over

''(2) the taxpayer's net long-term capital gain with respect to such interests for such taxable year computed by applying paragraphs (3) and (4) of sections 1222 by substituting '3 years' for '1 year',

shall be treated as short-term capital gain.

''(b) SPECIAL RULE.—To the extent provided by the Secretary, subsection (a) shall not apply to income or gain attributable to any asset not held for portfolio investment on behalf of third party investors.

''(c) APPLICABLE PARTNERSHIP INTEREST.—For purposes of this section—

''(1) IN GENERAL.—Except as provided in this paragraph or paragraph (4), the term 'applicable partnership interest' means any interest in a partnership which, directly or indirectly, is transferred to (or is held by) the taxpayer in connection with the performance of substantial services by the taxpayer, or any other related person, in any applicable trade or business. The previous sentence shall not apply to an interest held by a person who is employed by another entity that is conducting a trade or business (other than an applicable trade or business) and only provides services to such other entity.

''(2) APPLICABLE TRADE OR BUSINESS.—The term 'applicable trade or business' means any activity conducted on a regular, continuous, and substantial basis which, regardless of whether the activity is conducted in one or more entities, consists, in whole or in part, of—

''(A) raising or returning capital, and

''(B) either—

''(i) investing in (or disposing of) specified assets (or identifying specified assets for such investing or disposition), or

''(ii) developing specified assets.

''(3) SPECIFIED ASSET.—The term 'specified asset' means securities (as defined in section 475(c)(2) without regard to the last sentence thereof), commodities (as defined in section 475(e)(2)), real estate held for rental or investment, cash or cash equivalents, options or derivative contracts with respect to any of the foregoing, and an interest in a partnership to the extent of the partnership's proportionate interest in any of the foregoing.

''(4) EXCEPTIONS.—The term 'applicable partnership interest' shall not include—

''(A) any interest in a partnership directly or indirectly held by a corporation, or

''(B) any capital interest in the partnership which provides the taxpayer with a right to share in partnership capital commensurate with—

''(i) the amount of capital contributed (determined at the time of receipt of such partnership interest), or

''(ii) the value of such interest subject to tax under section 83 upon the receipt or vesting of such interest.

''(5) THIRD PARTY INVESTOR.—The term 'third party investor' means a person who—

''(A) holds an interest in the partnership which does not constitute property held in connection with an applicable trade or business; and

''(B) is not (and has not been) actively engaged, and is (and was) not related to a person so engaged, in (directly or indirectly) providing substantial services described in paragraph (1) for such partnership or any applicable trade or business.

''(d) TRANSFER OF APPLICABLE PARTNERSHIP INTEREST TO RELATED PERSON.—

''(1) IN GENERAL.—If a taxpayer transfers any applicable partnership interest, directly or indirectly, to a person related to the taxpayer, the taxpayer shall include in gross income (as short term capital gain) the excess (if any) of—

''(A) so much of the taxpayer's long-term capital gains with respect to such interest for such taxable year attributable to the sale or exchange of any asset held for not more than 3 years as is allocable to such interest, over

''(B) any amount treated as short term capital gain under subsection (a) with respect to the transfer of such interest.

''(2) RELATED PERSON.—For purposes of this paragraph, a person is related to the taxpayer if—

''(A) the person is a member of the taxpayer's family within the meaning of section 318(a)(1), or

''(B) the person performed a service within the current calendar year or the preceding three calendar years in any applicable trade or business in which or for which the taxpayer performed a service.

''(e) REPORTING.—The Secretary shall require such reporting (at the time and in the manner prescribed by the Secretary) as is necessary to carry out the purposes of this section.

''(f) REGULATIONS.—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section''.

(b) COORDINATION WITH SECTION 83.—Subsection (e) of section 83 is amended by striking ''or'' at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting '', or'', and by adding at the end the following new paragraph:

''(6) a transfer of an applicable partnership interest to which section 1061 applies.''.

(c) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to 1061 and inserting the following new items:

''Sec. 1061. Partnership interests held in connection with performance of services.

''Sec. 1062. Cross references.''.

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

SEC. 3315. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) IN GENERAL.—Section 174 is amended to read as follows:

''SEC. 174. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

''(a) IN GENERAL.—In the case of a taxpayer's specified research or experimental expenditures for any taxable year—

''(1) except as provided in paragraph (2), no deduction shall be allowed for such expenditures, and

''(2) the taxpayer shall—

''(A) charge such expenditures to capital account, and

''(B) be allowed an amortization deduction of such expenditures ratably over the 5-year period (15-year period in the case of any specified research or experimental expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F))) beginning with the midpoint of the taxable year in which such expenditures are paid or incurred.

''(b) SPECIFIED RESEARCH OR EXPERIMENTAL EXPENDITURES.—For purposes of this section, the term 'specified research or experimental expenditures' means, with respect to any taxable year, research or experimental expenditures which are paid or incurred by the taxpayer during such taxable year in connection with the taxpayer's trade or business.

''(c) SPECIAL RULES.—

''(1) LAND AND OTHER PROPERTY.—This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures.

''(2) EXPLORATION EXPENDITURES.—This section shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

''(3) SOFTWARE DEVELOPMENT.—For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.

''(d) TREATMENT UPON DISPOSITION, RETIREMENT, OR ABANDONMENT.—If any property with respect to which specified research or experimental expenditures are paid or incurred is disposed, retired, or abandoned during the period during which such expenditures are allowed as an amortization deduction under this section, no deduction shall be allowed with respect to such expenditures on account of such disposition, retirement, or abandonment and such amortization deduction shall continue with respect to such expenditures.''.

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 174 and inserting the following new item:

''Sec. 174. Amortization of research and experimental expenditures.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2022.

SEC. 3316. UNIFORM TREATMENT OF EXPENSES IN CONTINGENCY FEE CASES.

(a) IN GENERAL.—Section 162, as amended by the preceding provisions of this Act, is amended by redesignating subsection (r) as subsection (s) and by inserting after subsection (q) the following new subsection:

''(r) EXPENSES IN CONTINGENCY FEE CASES.—No deduction shall be allowed under subsection (a) to a taxpayer for any expense—

''(1) paid or incurred in the course of the trade or business of practicing law, and

''(2) resulting from a case for which the taxpayer is compensated primarily on a contingent basis,

until such time as such contingency is resolved.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenses and costs paid or incurred in taxable years beginning after the date of the enactment of this Act.

Subtitle E—Reform of Business Credits

SEC. 3401. REPEAL OF CREDIT FOR CLINICAL TESTING EXPENSES FOR CERTAIN DRUGS FOR RARE DISEASES OR CONDITIONS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by striking section 45C (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended by striking paragraph (12).

(2) Section 280C is amended by striking subsection (b).

(3) Section 6501(m) is amended by striking ''45C(d)(4),''.

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

SEC. 3402. REPEAL OF EMPLOYER-PROVIDED CHILD CARE CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by striking section 45F (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended by striking paragraph (15).

(2) Section 1016(a) is amended by striking paragraph (28).

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2017.

(2) BASIS ADJUSTMENTS.—The amendment made by subsection (b)(2) shall apply to credits determined for taxable years beginning after December 31, 2017.

SEC. 3403. REPEAL OF REHABILITATION CREDIT.

(a) IN GENERAL.—Subpart E of part IV of subchapter A of chapter 1 is amended by striking section 47 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

(1) Section 170(f)(14)(A) is amended by inserting ''(as in effect before its repeal by the Tax Cuts and Jobs Act)'' after ''section 47''.

(2) Section 170(h)(4) is amended—

(A) by striking ''(as defined in section 47(c)(3)(B))'' in subparagraph (C)(ii), and

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

''(D) REGISTERED HISTORIC DISTRICT.—The term 'registered historic district' means—

''(i) any district listed in the National Register, and

''(ii) any district—

''(I) which is designated under a statute of the appropriate State or local government, if such statute is certified by the Secretary of the Interior to the Secretary as containing criteria which will substantially achieve the purpose of preserving and rehabilitating buildings of historic significance to the district, and

''(II) which is certified by the Secretary of the Interior to the Secretary as meeting substantially all of the requirements for the listing of districts in the National Register.''.

(3) Section 469(i)(3) is amended by striking subparagraph (B).

(4) Section 469(i)(6)(B) is amended—

(A) by striking ''in the case of—'' and all that follows and inserting ''in the case of any credit determined under section 42 for any taxable year.'', and

(B) by striking '', REHABILITATION CREDIT,'' in the heading thereof.

(5) Section 469(k)(1) is amended by striking '', or any rehabilitation credit determined under section 47,''.

(c) EFFECTIVE DATE.—

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

(2) TRANSITION RULE.—In the case of qualified rehabilitation expenditures (within the meaning of section 47 of the Internal Revenue Code of 1986 as in effect before its repeal) with respect to any building—

(A) owned or leased (as permitted by section 47 of the Internal Revenue Code of 1986 as in effect before its repeal) by the taxpayer at all times after December 31, 2017, and

(B) with respect to which the 24-month period selected by the taxpayer under section 47(c)(1)(C) of such Code begins not later than the end of the 180-day period beginning on the date of the enactment of this Act,

the amendments made by this section shall apply to such expenditures paid or incurred after the end of the taxable year in which the 24-month period referred to in subparagraph (B) ends.

SEC. 3404. REPEAL OF WORK OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Subpart F of part IV of subchapter A of chapter 1 is amended by striking section 51 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CLERICAL AMENDMENT.—The heading of such subpart F (and the item relating to such subpart in the table of subparts for part IV of subchapter A of chapter 1) are each amended by striking ''Rules for Computing Work Opportunity Credit'' and inserting ''Special Rules''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred to individuals who begin work for the employer after December 31, 2017.

SEC. 3405. REPEAL OF DEDUCTION FOR CERTAIN UNUSED BUSINESS CREDITS.

(a) IN GENERAL.—Part VI of subchapter B of chapter 1 is amended by striking section 196 (and by striking the item relating to such section in the table of sections for such part).

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

SEC. 3406. TERMINATION OF NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Section 45D(f) is amended—

(1) by striking ''2019'' in paragraph (1)(G) and inserting ''2017'', and

(2) by striking ''2024'' in paragraph (3) and inserting ''2022''.

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

SEC. 3407. REPEAL OF CREDIT FOR EXPENDITURES TO PROVIDE ACCESS TO DISABLED INDIVIDUALS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by striking section 44 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENT.—Section 38(b) is amended by striking paragraph (7).

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

SEC. 3408. MODIFICATION OF CREDIT FOR PORTION OF EMPLOYER SOCIAL SECURITY TAXES PAID WITH RESPECT TO EMPLOYEE TIPS.

(a) CREDIT DETERMINED WITH RESPECT TO MINIMUM WAGE AS IN EFFECT.—Section 45B(b)(1)(B) is amended by striking ''as in effect on January 1, 2007, and''.

(b) INFORMATION RETURN REQUIREMENT.—Section 45B is amended by redesignating subsections (c) and (d) as subsections (d) and (e), respectively, and by inserting after subsection (b) the following new subsection:

''(c) INFORMATION RETURN REQUIREMENT.—

''(1) IN GENERAL.—No credit shall be determined under subsection (a) with respect to any food or beverage establishment of any taxpayer for any taxable year unless such taxpayer has, with respect to the calendar year which ends in or with such taxable year—

''(A) made a report to the Secretary showing the information described in section 6053(c)(1) with respect to such food or beverage establishment, and

''(B) furnished written statements to each employee of such food or beverage establishment showing the information described in section 6053(c)(2).

''(2) ALLOCATION OF 10 PERCENT OF GROSS RECEIPTS.—For purposes of determining the information referred to in subparagraphs (A) and (B), section 6053(c)(3)(A)(i) shall be applied by substituting '10 percent' for '8 percent'. For purposes of section 6053(c)(5), any reference to section 6053(c)(3)(B) contained therein shall be treated as including a reference to this paragraph.

''(3) FOOD OR BEVERAGE ESTABLISHMENT.—For purposes of this subsection, the term 'food or beverage establishment' means any trade or business (or portion thereof) which would be a large food or beverage establishment (as defined in section 6053(c)(4)) if such section were applied without regard to subparagraph (C) thereof.''.

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

Subtitle F—Energy Credits

SEC. 3501. MODIFICATIONS TO CREDIT FOR ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES.

(a) TERMINATION OF INFLATION ADJUSTMENT.—Section 45(b)(2) is amended—

(1) by striking ''The 1.5 cent amount'' and inserting the following:

''(A) IN GENERAL.—The 1.5 cent amount'', and

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

''(B) TERMINATION.—Subparagraph (A) shall not apply with respect to any electricity or refined coal produced at a facility the construction of which begins after the date of the enactment of this subparagraph.''.

(b) SPECIAL RULE FOR DETERMINATION OF BEGINNING OF CONSTRUCTION.—Section 45(e) is amended by adding at the end the following new paragraph:

''(12) SPECIAL RULE FOR DETERMINING BEGINNING OF CONSTRUCTION.—For purposes of subsection (d), the construction of any facility, modification, improvement, addition, or other property shall not be treated as beginning before any date unless there is a continuous program of construction which begins before such date and ends on the date that such property is placed in service.''.

(c) EFFECTIVE DATES.—

(1) TERMINATION OF INFLATION ADJUSTMENT.—The amendments made by subsection (a) shall apply to taxable years ending after the date of the enactment of this Act.

(2) SPECIAL RULE FOR DETERMINATION OF BEGINNING OF CONSTRUCTION.—The amendment made by subsection (b) shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

SEC. 3502. MODIFICATION OF THE ENERGY INVESTMENT TAX CREDIT.

(a) EXTENSION OF SOLAR ENERGY PROPERTY.—Section 48(a)(3)(A)(ii) is amended by striking ''periods ending before January 1, 2017'' and inserting ''property the construction of which begins before January 1, 2022''.

(b) EXTENSION OF QUALIFIED FUEL CELL PROPERTY.—Section 48(c)(1)(D) is amended by striking ''for any period after December 31, 2016'' and inserting ''the construction of which does not begin before January 1, 2022''.

(c) EXTENSION OF QUALIFIED MICROTURBINE PROPERTY.—Section 48(c)(2)(D) is amended by striking ''for any period after December 31, 2016'' and inserting ''the construction of which does not begin before January 1, 2022''.

(d) EXTENSION OF COMBINED HEAT AND POWER SYSTEM PROPERTY.—Section 48(c)(3)(A)(iv) is amended by striking ''which is placed in service before January 1, 2017'' and inserting ''the construction of which begins before January 1, 2022''.

(e) EXTENSION OF QUALIFIED SMALL WIND ENERGY PROPERTY.—Section 48(c)(4)(C) is amended by striking ''for any period after December 31, 2016'' and inserting ''the construction of which does not begin before January 1, 2022''.

(f) EXTENSION OF THERMAL ENERGY PROPERTY.—Section 48(a)(3)(A)(vii) is amended by striking ''periods ending before January 1, 2017'' and inserting ''property the construction of which begins before January 1, 2022''.

(g) PHASEOUT OF 30 PERCENT CREDIT RATE FOR FUEL CELL AND SMALL WIND ENERGY PROPERTY.—Section 48(a) is amended by adding at the end the following new paragraph:

''(7) PHASEOUT FOR QUALIFIED FUEL CELL PROPERTY AND QUALIFIED SMALL WIND ENERGY PROPERTY.—

''(A) IN GENERAL.—In the case of qualified fuel cell property or qualified small wind energy property, the construction of which begins before January 1, 2022, the energy percentage determined under paragraph (2) shall be equal to—

''(i) in the case of any property the construction of which begins after December 31, 2019, and before January 1, 2021, 26 percent, and

''(ii) in the case of any property the construction of which begins after December 31, 2020, and before January 1, 2022, 22 percent.

''(B) PLACED IN SERVICE DEADLINE.—In the case of any qualified fuel cell property or qualified small wind energy property, the construction of which begins before January 1, 2022, and which is not placed in service before January 1, 2024, the energy percentage determined under paragraph (2) shall be equal to 10 percent.''.

(h) PHASEOUT FOR FIBER-OPTIC SOLAR ENERGY PROPERTY.—Subparagraphs (A) and (B) of section 48(a)(6) are each amended by inserting ''or (3)(A)(ii)'' after ''paragraph (3)(A)(i)''.

(i) TERMINATION OF SOLAR ENERGY PROPERTY.—Section 48(a)(3)(A)(i) is amended by inserting '', the construction of which begins before January 1, 2028, and'' after ''equipment''.

(j) TERMINATION OF GEOTHERMAL ENERGY PROPERTY.—Section 48(a)(3)(A)(iii) is amended by inserting '', the construction of which begins before January 1, 2028, and'' after ''equipment''.

(k) SPECIAL RULE FOR DETERMINATION OF BEGINNING OF CONSTRUCTION.—Section 48(c) is amended by adding at the end the following new paragraph:

''(5) SPECIAL RULE FOR DETERMINING BEGINNING OF CONSTRUCTION.—The construction of any facility, modification, improvement, addition, or other property shall not be treated as beginning before any date unless there is a continuous program of construction which begins before such date and ends on the date that such property is placed in service.''.

(l) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to periods after December 31, 2016, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

(2) EXTENSION OF COMBINED HEAT AND POWER SYSTEM PROPERTY.—The amendment made by subsection (d) shall apply to property placed in service after December 31, 2016.

(3) PHASEOUTS AND TERMINATIONS.—The amendments made by subsections (g), (h), (i), and (j) shall take effect on the date of the enactment of this Act.

(4) SPECIAL RULE FOR DETERMINATION OF BEGINNING OF CONSTRUCTION.—The amendment made by subsection (k) shall apply to taxable years beginning before, on, or after the date of the enactment of this Act.

SEC. 3503. EXTENSION AND PHASEOUT OF RESIDENTIAL ENERGY EFFICIENT PROPERTY.

(a) EXTENSION.—Section 25D(h) is amended by striking ''December 31, 2016 (December 31, 2021, in the case of any qualified solar electric property expenditures and qualified solar water heating property expenditures)'' and inserting ''December 31, 2021''.

(b) PHASEOUT.—

(1) IN GENERAL.—Paragraphs (3), (4), and (5) of section 25D(a) are amended by striking ''30 percent'' each place it appears and inserting ''the applicable percentage''.

(2) CONFORMING AMENDMENT.—Section 25D(g) of such Code is amended by striking ''paragraphs (1) and (2) of''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2016.

SEC. 3504. REPEAL OF ENHANCED OIL RECOVERY CREDIT.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by striking section 43 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENTS.—

(1) Section 38(b) is amended by striking paragraph (6).

(2) Section 6501(m) is amended by striking ''43,''.

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

SEC. 3505. REPEAL OF CREDIT FOR PRODUCING OIL AND GAS FROM MARGINAL WELLS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 is amended by striking section 45I (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENT.—Section 38(b) is amended by striking paragraph (19).

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

SEC. 3506. MODIFICATIONS OF CREDIT FOR PRODUCTION FROM ADVANCED NUCLEAR POWER FACILITIES.

(a) TREATMENT OF UNUTILIZED LIMITATION AMOUNTS.—Section 45J(b) is amended—

(1) in paragraph (4), by inserting ''or any amendment to'' after ''enactment of''; and

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

''(5) ALLOCATION OF UNUTILIZED LIMITATION.—

''(A) IN GENERAL.—Any unutilized national megawatt capacity limitation shall be allocated by the Secretary under paragraph (3) as rapidly as is practicable after December 31, 2020—

''(i) first to facilities placed in service on or before such date to the extent that such facilities did not receive an allocation equal to their full nameplate capacity; and

''(ii) then to facilities placed in service after such date in the order in which such facilities are placed in service.

''(B) UNUTILIZED NATIONAL MEGAWATT CAPACITY LIMITATION.—The term 'unutilized national megawatt capacity limitation' means the excess (if any) of—

''(i) 6,000 megawatts, over

''(ii) the aggregate amount of national megawatt capacity limitation allocated by the Secretary before January 1, 2021, reduced by any amount of such limitation which was allocated to a facility which was not placed in service before such date.

''(C) COORDINATION WITH OTHER PROVISIONS.—In the case of any unutilized national megawatt capacity limitation allocated by the Secretary pursuant to this paragraph—

''(i) such allocation shall be treated for purposes of this section in the same manner as an allocation of national megawatt capacity limitation; and

''(ii) subsection (d)(1)(B) shall not apply to any facility which receives such allocation.''.

(b) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—

(1) IN GENERAL.—Section 45J is amended—

(A) by redesignating subsection (e) as subsection (f); and

(B) by inserting after subsection (d) the following new subsection:

''(e) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—

''(1) IN GENERAL.—If, with respect to a credit under subsection (a) for any taxable year—

''(A) the taxpayer would be a qualified public entity; and

''(B) such entity elects the application of this paragraph for such taxable year with respect to all (or any portion specified in such election) of such credit,

the eligible project partner specified in such election (and not the qualified public entity) shall be treated as the taxpayer for purposes of this title with respect to such credit (or such portion thereof).

''(2) DEFINITIONS.—For purposes of this subsection—

''(A) QUALIFIED PUBLIC ENTITY.—The term 'qualified public entity' means—

''(i) a Federal, State, or local government entity, or any political subdivision, agency, or instrumentality thereof;

''(ii) a mutual or cooperative electric company described in section 501(c)(12) or section 1381(a)(2); or

''(iii) a not-for-profit electric utility which has or had received a loan or loan guarantee under the Rural Electrification Act of 1936.

''(B) ELIGIBLE PROJECT PARTNER.—The term 'eligible project partner' means—

''(i) any person responsible for, or participating in, the design or construction of the advanced nuclear power facility to which the credit under subsection (a) relates;

''(ii) any person who participates in the provision of the nuclear steam supply system to the advanced nuclear power facility to which the credit under subsection (a) relates;

''(iii) any person who participates in the provision of nuclear fuel to the advanced nuclear power facility to which the credit under subsection (a) relates; or

''(iv) any person who has an ownership interest in such facility.

''(3) SPECIAL RULES.—

''(A) APPLICATION TO PARTNERSHIPS.—In the case of a credit under subsection (a) which is determined at the partnership level—

''(i) for purposes of paragraph (1)(A), a qualified public entity shall be treated as the taxpayer with respect to such entity's distributive share of such credit; and

''(ii) the term 'eligible project partner' shall include any partner of the partnership.

''(B) TAXABLE YEAR IN WHICH CREDIT TAKEN INTO ACCOUNT.—In the case of any credit (or portion thereof) with respect to which an election is made under paragraph (1), such credit shall be taken into account in the first taxable year of the eligible project partner ending with, or after, the qualified public entity's taxable year with respect to which the credit was determined.

''(C) TREATMENT OF TRANSFER UNDER PRIVATE USE RULES.—For purposes of section 141(b)(1), any benefit derived by an eligible project partner in connection with an election under this subsection shall not be taken into account as a private business use.''.

(2) SPECIAL RULE FOR PROCEEDS OF TRANSFERS FOR MUTUAL OR COOPERATIVE ELECTRIC COMPANIES.—Section 501(c)(12) of such Code is amended by adding at the end the following new subparagraph:

''(I) In the case of a mutual or cooperative electric company described in this paragraph or an organization described in section 1381(a)(2), income received or accrued in connection with an election under section 45J(e)(1) shall be treated as an amount collected from members for the sole purpose of meeting losses and expenses.''.

(c) EFFECTIVE DATES.—

(1) TREATMENT OF UNUTILIZED LIMITATION AMOUNTS.—The amendment made by subsection (a) shall take effect on the date of the enactment of this Act.

(2) TRANSFER OF CREDIT BY CERTAIN PUBLIC ENTITIES.—The amendments made by subsection (b) shall apply to taxable years beginning after the date of the enactment of this Act.

Subtitle G—Bond Reforms

SEC. 3601. TERMINATION OF PRIVATE ACTIVITY BONDS.

(a) IN GENERAL.—Paragraph (1) of section 103(b) is amended—

(1) by striking ''which is not a qualified bond (within the meaning of section 141)'', and

(2) by striking ''WHICH IS NOT A QUALIFIED BOND'' in the heading thereof.

(b) CONFORMING AMENDMENTS.—

(1) Subpart A of part IV of subchapter B of chapter 1 is amended by striking sections 142, 143, 144, 145, 146, and 147 (and by striking each of the items relating to such sections in the table of sections for such subpart).

(2) Section 25 is amended by adding at the end the following new subsection:

''(j) COORDINATION WITH REPEAL OF PRIVATE ACTIVITY BONDS.—Any reference to section 143, 144, or 146 shall be treated as a reference to such section as in effect before its repeal by the Tax Cuts and Jobs Act.''.

(3) Section 26(b)(2) is amended by striking subparagraph (D).

(4) Section 141(b) is amended by striking paragraphs (5) and (9).

(5) Section 141(d) is amended by striking paragraph (5).

(6) Section 141 is amended by striking subsection (e).

(7) Section 148(f)(4) is amended—

(A) by striking ''(determined in accordance with section 147(b)(2)(A))'' in the flush matter following subparagraph (A)(ii) and inserting ''(determined by taking into account the respective issue prices of the bonds issued as part of the issue)'', and

(B) by striking the last sentence of subparagraph (D)(v).

(8) Clause (iv) of section 148(f)(4)(C) is amended to read as follows:

''(iv) CONSTRUCTION ISSUE.—For purposes of this subparagraph—

''(I) IN GENERAL.—The term 'construction issue' means any issue if at least 75 percent of the available construction proceeds of such issue are to be used for construction expenditures.

''(II) CONSTRUCTION.—The term 'construction' includes reconstruction and rehabilitation.''.

(9) Section 149(b)(3) is amended by striking subparagraph (C).

(10) Section 149(e)(2) is amended—

(A) by striking subparagraphs (C), (D), and (F) and by redesignating subparagraphs (E) and (G) as subparagraphs (C) and (D), respectively, and

(B) by striking the second sentence.

(11) Section 149(f)(6) is amended—

(A) by striking subparagraph (B), and

(B) by striking ''For purposes of this subsection'' and all that follows through ''The term'' and inserting the following: ''For purposes of this subsection, the term''.

(12) Section 150(e)(3) is amended to read as follows:

''(3) PUBLIC APPROVAL REQUIREMENT.—A bond shall not be treated as part of an issue which meets the requirements of paragraph (1) unless such bond satisfies the requirements of section 147(f)(2) (as in effect before its repeal by the Tax Cuts and Jobs Act).''.

(13) Section 269A(b)(3) is amended by striking ''144(a)(3)'' and inserting ''414(n)(6)(A)''.

(14) Section 414(m)(5) is amended by striking ''section 144(a)(3)'' and inserting ''subsection (n)(6)(A)''.

(15) Section 414(n)(6)(A) is amended to read as follows:

''(A) RELATED PERSONS.—A person is a related person to another person if—

''(i) the relationship between such persons would result in a disallowance of losses under section 267 or 707(b), or

''(ii) such persons are members of the same controlled group of corporations (as defined in section 1563(a), except that 'more than 50 percent' shall be substituted for 'at least 80 percent' each place it appears therein).''.

(16) Section 6045(e)(4)(B) is amended by inserting ''(as in effect before its repeal by the Tax Cuts and Jobs Act)'' after ''section 143(m)(3)''.

(17) Section 6654(f)(1) is amended by inserting ''(as in effect before its repeal by the Tax Cuts and Jobs Act)'' after ''section 143(m)''.

(18) Section 7871(c) is amended—

(A) by striking paragraphs (2) and (3), and

(B) by striking ''TAX-EXEMPT BONDS.—'' and all that follows through ''Subsection (a) of section 103'' and inserting the following: ''TAX-EXEMPT BONDS.—Subsection (a) of section 103''.

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

SEC. 3602. REPEAL OF ADVANCE REFUNDING BONDS.

(a) IN GENERAL.—Paragraph (1) of section 149(d) is amended by striking ''as part of an issue described in paragraph (2), (3), or (4).'' and inserting ''to advance refund another bond.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 149(d) is amended by striking paragraphs (2), (3), (4), and (6) and by redesignating paragraphs (5) and (7) as paragraphs (2) and (3).

(2) Section 148(f)(4)(C) is amended by striking clause (xiv) and by redesignating clauses (xv) to (xvii) as clauses (xiv) to (xvi).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to advance refunding bonds issued after December 31, 2017.

SEC. 3603. REPEAL OF TAX CREDIT BONDS.

(a) IN GENERAL.—Part IV of subchapter A of chapter 1 is amended by striking subparts H, I, and J (and by striking the items relating to such subparts in the table of subparts for such part).

(b) PAYMENTS TO ISSUERS.—Subchapter B of chapter 65 is amended by striking section 6431 (and by striking the item relating to such section in the table of sections for such subchapter).

(c) CONFORMING AMENDMENTS.—

(1) Part IV of subchapter U of chapter 1 is amended by striking section 1397E (and by striking the item relating to such section in the table of sections for such part).

(2) Section 54(l)(3)(B) is amended by inserting ''(as in effect before its repeal by the Tax Cuts and Jobs Act)'' after ''section 1397E(I)''.

(3) Section 6211(b)(4)(A) is amended by striking '', and 6431'' and inserting ''and'' before ''36B''.

(4) Section 6401(b)(1) is amended by striking ''G, H, I, and J'' and inserting ''and G''.

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

SEC. 3604. NO TAX EXEMPT BONDS FOR PROFESSIONAL STADIUMS.

(a) IN GENERAL.—Section 103(b), as amended by this Act, is further amended by adding at the end the following new paragraph:

''(4) PROFESSIONAL STADIUM BOND.—Any professional stadium bond.''.

(b) PROFESSIONAL STADIUM BOND DEFINED.—Subsection (c) of section 103 is amended by adding at the end the following new paragraph:

''(3) PROFESSIONAL STADIUM BOND.—The term 'professional stadium bond' means any bond issued as part of an issue any proceeds of which are used to finance or refinance capital expenditures allocable to a facility (or appurtenant real property) which, during at least 5 days during any calendar year, is used as a stadium or arena for professional sports exhibitions, games, or training.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to bonds issued after November 2, 2017.

Subtitle H—Insurance

SEC. 3701. NET OPERATING LOSSES OF LIFE INSURANCE COMPANIES.

(a) IN GENERAL.—Section 805(b) is amended by striking paragraph (4) and by redesignating paragraph (5) as paragraph (4).

(b) CONFORMING AMENDMENTS.—

(1) Part I of subchapter L of chapter 1 is amended by striking section 810 (and by striking the item relating to such section in the table of sections for such part).

(2) Part III of subchapter L of chapter 1 is amended by striking section 844 (and by striking the item relating to such section in the table of sections for such part).

(3) Section 381 is amended by striking subsection (d).

(4) Section 805(a)(4)(B)(ii) is amended to read as follows:

''(ii) the deduction allowed under section 172,''.

(5) Section 805(a) is amended by striking paragraph (5).

(6) Section 953(b)(1)(B) is amended to read as follows:

''(B) So much of section 805(a)(8) as relates to the deduction allowed under section 172.''.

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

SEC. 3702. REPEAL OF SMALL LIFE INSURANCE COMPANY DEDUCTION.

(a) IN GENERAL.—Part I of subchapter L of chapter 1 is amended by striking section 806 (and by striking the item relating to such section in the table of sections for such part).

(b) CONFORMING AMENDMENTS.—

(1) Section 453B(e) is amended—

(A) by striking ''(as defined in section 806(b)(3))'' in paragraph (2)(B), and

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

''(3) NONINSURANCE BUSINESS.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'noninsurance business' means any activity which is not an insurance business.

''(B) CERTAIN ACTIVITIES TREATED AS INSURANCE BUSINESSES.—For purposes of subparagraph (A), any activity which is not an insurance business shall be treated as an insurance business if—

''(i) it is of a type traditionally carried on by life insurance companies for investment purposes, but only if the carrying on of such activity (other than in the case of real estate) does not constitute the active conduct of a trade or business, or

''(ii) it involves the performance of administrative services in connection with plans providing life insurance, pension, or accident and health benefits.''.

(2) Section 465(c)(7)(D)(v)(II) is amended by striking ''section 806(b)(3)'' and inserting ''section 453B(e)(3)''.

(3) Section 801(a)(2) is amended by striking subparagraph (C).

(4) Section 804 is amended by striking ''means—'' and all that follows and inserting ''means the general deductions provided in section 805.''.

(5) Section 805(a)(4)(B), as amended by section 3701, is amended by striking clause (i) and by redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(6) Section 805(b)(2)(A) is amended by striking clause (iii) and by redesignating clauses (iv) and (v) as clauses (iii) and (iv), respectively.

(7) Section 842(c) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(8) Section 953(b)(1), as amended by section 3701, is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

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

SEC. 3703. SURTAX ON LIFE INSURANCE COMPANY TAXABLE INCOME.

(a) IN GENERAL.—Section 801(a)(1) is amended—

(1) by striking ''consist of a tax'' and insert ''consist of the sum of—

''(A) a tax'', and

(2) by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new subparagraph:

''(B) a tax equal to 8 percent of the life insurance company taxable income.''.

SEC. 3704. ADJUSTMENT FOR CHANGE IN COMPUTING RESERVES.

(a) IN GENERAL.—Paragraph (1) of section 807(f) is amended to read as follows:

''(1) TREATMENT AS CHANGE IN METHOD OF ACCOUNTING.—If the basis for determining any item referred to in subsection (c) as of the close of any taxable year differs from the basis for such determination as of the close of the preceding taxable year, then so much of the difference between—

''(A) the amount of the item at the close of the taxable year, computed on the new basis, and

''(B) the amount of the item at the close of the taxable year, computed on the old basis,

as is attributable to contracts issued before the taxable year shall be taken into account under section 481 as adjustments attributable to a change in method of accounting initiated by the taxpayer and made with the consent of the Secretary.''.

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

SEC. 3705. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS TO SHAREHOLDERS FROM PRE-1984 POLICYHOLDERS SURPLUS ACCOUNT.

(a) IN GENERAL.—Subpart D of part I of subchapter L is amended by striking section 815 (and by striking the item relating to such section in the table of sections for such subpart).

(b) CONFORMING AMENDMENT.—Section 801 is amended by striking subsection (c).

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

(d) PHASED INCLUSION OF REMAINING BALANCE OF POLICYHOLDERS SURPLUS ACCOUNTS.—In the case of any stock life insurance company which has a balance (determined as of the close of such company's last taxable year beginning before January 1, 2018) in an existing policyholders surplus account (as defined in section 815 of the Internal Revenue Code of 1986, as in effect before its repeal), the tax imposed by section 801 of such Code for the first 8 taxable years beginning after December 31, 2017, shall be the amount which would be imposed by such section for such year on the sum of—

(1) life insurance company taxable income for such year (within the meaning of such section 801 but not less than zero), plus

(2) ⅛ of such balance.

SEC. 3706. MODIFICATION OF PRORATION RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) IN GENERAL.—Section 832(b)(5)(B) is amended by striking ''15 percent'' and inserting ''26.25 percent''.

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

SEC. 3707. MODIFICATION OF DISCOUNTING RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES.

(a) MODIFICATION OF RATE OF INTEREST USED TO DISCOUNT UNPAID LOSSES.—Paragraph (2) of section 846(c) is amended to read as follows:

''(2) DETERMINATION OF ANNUAL RATE.—The annual rate determined by the Secretary under this paragraph for any calendar year shall be a rate determined on the basis of the corporate bond yield curve (as defined in section 430(h)(2)(D)(i)).''.

(b) MODIFICATION OF COMPUTATIONAL RULES FOR LOSS PAYMENT PATTERNS.—Section 846(d)(3) is amended by striking subparagraphs (B) through (G) and inserting the following new subparagraphs:

''(B) TREATMENT OF CERTAIN LOSSES.—Losses which would have been treated as paid in the last year of the period applicable under subparagraph (A)(i) or (A)(ii) shall be treated as paid in the following manner:

''(i) 3-YEAR LOSS PAYMENT PATTERN.—

''(I) IN GENERAL.—The period taken into account under subparagraph (A)(i) shall be extended to the extent required under subclause (II).

''(II) COMPUTATION OF EXTENSION.—The amount of losses which would have been treated as paid in the 3d year after the accident year shall be treated as paid in such 3d year and each subsequent year in an amount equal to the average of the losses treated as paid in the 1st and 2d years after the accident year (or, if lesser, the portion of the unpaid losses not theretofore taken into account). To the extent such unpaid losses have not been treated as paid before the 18th year after the accident year, they shall be treated as paid in such 18th year.

''(ii) 10-YEAR LOSS PAYMENT PATTERN.—

''(I) IN GENERAL.—The period taken into account under subparagraph (A)(ii) shall be extended to the extent required under subclause (II).

''(II) COMPUTATION OF EXTENSION.—The amount of losses which would have been treated as paid in the 10th year after the accident year shall be treated as paid in such 10th year and each subsequent year in an amount equal to the amount of the average of the losses treated as paid in the 7th, 8th, and 9th years after the accident year (or, if lesser, the portion of the unpaid losses not theretofore taken into account). To the extent such unpaid losses have not been treated as paid before the 25th year after the accident year, they shall be treated as paid in such 25th year.''.

(c) REPEAL OF HISTORICAL PAYMENT PATTERN ELECTION.—Section 846 is amended by striking subsection (e) and by redesignating subsections (f) and (g) as subsections (e) and (f), respectively.

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

(e) TRANSITIONAL RULE.—For the first taxable year beginning after December 31, 2017—

(1) the unpaid losses and the expenses unpaid (as defined in paragraphs (5)(B) and (6) of section 832(b) of the Internal Revenue Code of 1986) at the end of the preceding taxable year, and

(2) the unpaid losses as defined in sections 807(c)(2) and 805(a)(1) of such Code at the end of the preceding taxable year,

shall be determined as if the amendments made by this section had applied to such unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018, and any adjustment shall be taken into account ratably in such first taxable year and the 7 succeeding taxable years. For subsequent taxable years, such amendments shall be applied with respect to such unpaid losses and expenses unpaid by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018.

SEC. 3708. REPEAL OF SPECIAL ESTIMATED TAX PAYMENTS.

(a) IN GENERAL.—Part III of subchapter L of chapter 1 is amended by striking section 847 (and by striking the item relating to such section in the table of sections for such part).

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

Subtitle I—Compensation

SEC. 3801. MODIFICATION OF LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.

(a) REPEAL OF PERFORMANCE-BASED COMPENSATION AND COMMISSION EXCEPTIONS FOR LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.—

(1) IN GENERAL.—Section 162(m)(4) is amended by striking subparagraphs (B) and (C) and by redesignating subparagraphs (D), (E), (F), and (G) as subparagraphs (B), (C), (D), and (E), respectively.

(2) CONFORMING AMENDMENTS.—

(A) Paragraphs (5)(E) and (6)(D) of section 162(m) are each amended by striking ''subparagraphs (B), (C), and (D)'' and inserting ''subparagraph (B)''.

(B) Paragraphs (5)(G) and (6)(G) of section 162(m) are each amended by striking ''(F) and (G)'' and inserting ''(D) and (E)''.

(b) EXPANSION OF APPLICABLE EMPLOYER.—Section 162(m)(2) is amended to read as follows:

''(2) PUBLICLY HELD CORPORATION.—For purposes of this subsection, the term 'publicly held corporation' means any corporation which is an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c))—

''(A) the securities of which are required to be registered under section 12 of such Act (15 U.S.C. 78l), or

''(B) that is required to file reports under section 15(d) of such Act (15 U.S.C. 78o(d)).''.

(c) MODIFICATION OF DEFINITION OF COVERED EMPLOYEES.—Section 162(m)(3) is amended—

(1) in subparagraph (A), by striking ''as of the close of the taxable year, such employee is the chief executive officer of the taxpayer or is'' and inserting ''such employee is the principal executive officer or principal financial officer of the taxpayer at any time during the taxable year, or was'',

(2) in subparagraph (B)—

(A) by striking ''4'' and inserting ''3'', and

(B) by striking ''(other than the chief executive officer)'' and inserting ''(other than the principal executive officer or principal financial officer)'', and

(3) by striking ''or'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', or'', and by adding at the end the following:

''(C) was a covered employee of the taxpayer (or any predecessor) for any preceding taxable year beginning after December 31, 2016.

Such term shall include any employee who would be described in subparagraph (B) if the reporting described in such subparagraph were required as so described.''.

(d) SPECIAL RULE FOR REMUNERATION PAID TO BENEFICIARIES, ETC.—Section 162(m)(4), as amended by subsection (a), is amended by adding at the end the following new subparagraph:

''(F) SPECIAL RULE FOR REMUNERATION PAID TO BENEFICIARIES, ETC.—Remuneration shall not fail to be applicable employee remuneration merely because it is includible in the income of, or paid to, a person other than the covered employee, including after the death of the covered employee.''.

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

SEC. 3802. EXCISE TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION.

(a) IN GENERAL.—Subchapter D of chapter 42 is amended by adding at the end the following new section:

''SEC. 4960. TAX ON EXCESS TAX-EXEMPT ORGANIZATION EXECUTIVE COMPENSATION.

''(a) TAX IMPOSED.—There is hereby imposed a tax equal to 20 percent of the sum of—

''(1) so much of the remuneration paid (other than any excess parachute payment) by an applicable tax-exempt organization for the taxable year with respect to employment of any covered employee in excess of $1,000,000, plus

''(2) any excess parachute payment paid by such an organization to any covered employee.

''(b) LIABILITY FOR TAX.—The employer shall be liable for the tax imposed under subsection (a).

''(c) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE TAX-EXEMPT ORGANIZATION.—The term 'applicable tax-exempt organization' means any organization that for the taxable year—

''(A) is exempt from taxation under section 501(a),

''(B) is a farmers' cooperative organization described in section 521(b)(1),

''(C) has income excluded from taxation under section 115(1), or

''(D) is a political organization described in section 527(e)(1).

''(2) COVERED EMPLOYEE.—For purposes of this section, the term 'covered employee' means any employee (including any former employee) of an applicable tax-exempt organization if the employee—

''(A) is one of the 5 highest compensated employees of the organization for the taxable year, or

''(B) was a covered employee of the organization (or any predecessor) for any preceding taxable year beginning after December 31, 2016.

''(3) REMUNERATION.—For purposes of this section, the term 'remuneration' means wages (as defined in section 3401(a)), except that such term shall not include any designated Roth contribution (as defined in section 402A(c)).

''(4) REMUNERATION FROM RELATED ORGANIZATIONS.—

''(A) IN GENERAL.—Remuneration of a covered employee paid by an applicable tax-exempt organization shall include any remuneration paid with respect to employment of such employee by any related person or governmental entity.

''(B) RELATED ORGANIZATIONS.—A person or governmental entity shall be treated as related to an applicable tax-exempt organization if such person or governmental entity—

''(i) controls, or is controlled by, the organization,

''(ii) is controlled by one or more persons that control the organization,

''(iii) is a supported organization (as defined in section 509(f)(2)) during the taxable year with respect to the organization,

''(iv) is a supporting organization described in section 509(a)(3) during the taxable year with respect to the organization, or

''(v) in the case of an organization that is a voluntary employees' beneficiary association described in section 501(a)(9), establishes, maintains, or makes contributions to such voluntary employees' beneficiary association.

''(C) LIABILITY FOR TAX.—In any case in which remuneration from more than one employer is taken into account under this paragraph in determining the tax imposed by subsection (a), each such employer shall be liable for such tax in an amount which bears the same ratio to the total tax determined under subsection (a) with respect to such remuneration as—

''(i) the amount of remuneration paid by such employer with respect to such employee, bears to

''(ii) the amount of remuneration paid by all such employers to such employee.

''(5) EXCESS PARACHUTE PAYMENT.—For purposes determining the tax imposed by subsection (a)(2)—

''(A) IN GENERAL.—The term 'excess parachute payment' means an amount equal to the excess of any parachute payment over the portion of the base amount allocated to such payment.

''(B) PARACHUTE PAYMENT.—The term 'parachute payment' means any payment in the nature of compensation to (or for the benefit of) a covered employee if—

''(i) such payment is contingent on such employee's separation from employment with the employer, and

''(ii) the aggregate present value of the payments in the nature of compensation to (or for the benefit of) such individual which are contingent on such separation equals or exceeds an amount equal to 3 times the base amount.

Such term does not include any payment described in section 280G(b)(6) (relating to exemption for payments under qualified plans) or any payment made under or to an annuity contract described in section 403(b) or a plan described in section 457(b).

''(C) BASE AMOUNT.—Rules similar to the rules of 280G(b)(3) shall apply for purposes of determining the base amount.

''(D) PROPERTY TRANSFERS; PRESENT VALUE.—Rules similar to the rules of paragraphs (3) and (4) of section 280G(d) shall apply.

''(6) COORDINATION WITH DEDUCTION LIMITATION.—Remuneration the deduction for which is

not allowed by reason of section 162(m) shall not be taken into account for purposes of this section.

''(d) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to prevent avoidance of the purposes of this section through the performance of services other than as an employee.''.

(b) CLERICAL AMENDMENT.—The table of sections for subchapter D of chapter 42 is amended by adding at the end the following new item:

''Sec. 4960. Tax on excess exempt organization executive compensation.''.

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

SEC. 3803. TREATMENT OF QUALIFIED EQUITY GRANTS.

(a) IN GENERAL.—

(1) ELECTION TO DEFER INCOME.—Section 83 is amended by adding at the end the following new subsection:

''(i) QUALIFIED EQUITY GRANTS.—

''(1) IN GENERAL.—For purposes of this subtitle, if qualified stock is transferred to a qualified employee who makes an election with respect to such stock under this subsection—

''(A) except as provided in subparagraph (B), no amount shall be included in income under subsection (a) for the first taxable year in which the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable, and

''(B) an amount equal to the amount which would be included in income of the employee under subsection (a) (determined without regard to this subsection) shall be included in income for the taxable year of the employee which includes the earliest of—

''(i) the first date such qualified stock becomes transferable (including transferable to the employer),

''(ii) the date the employee first becomes an excluded employee,

''(iii) the first date on which any stock of the corporation which issued the qualified stock becomes readily tradable on an established securities market (as determined by the Secretary, but not including any market unless such market is recognized as an established securities market by the Secretary for purposes of a provision of this title other than this subsection),

''(iv) the date that is 5 years after the first date the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, or

''(v) the date on which the employee revokes (at such time and in such manner as the Secretary may provide) the election under this subsection with respect to such stock.

''(2) QUALIFIED STOCK.—

''(A) IN GENERAL.—For purposes of this subsection, the term 'qualified stock' means, with respect to any qualified employee, any stock in a corporation which is the employer of such employee, if—

''(i) such stock is received—

''(I) in connection with the exercise of an option, or

''(II) in settlement of a restricted stock unit, and

''(ii) such option or restricted stock unit was provided by the corporation—

''(I) in connection with the performance of services as an employee, and

''(II) during a calendar year in which such corporation was an eligible corporation.

''(B) LIMITATION.—The term 'qualified stock' shall not include any stock if the employee may sell such stock to, or otherwise receive cash in lieu of stock from, the corporation at the time that the rights of the employee in such stock first become transferable or not subject to a substantial risk of forfeiture.

''(C) ELIGIBLE CORPORATION.—For purposes of subparagraph (A)(ii)(II)—

''(i) IN GENERAL.—The term 'eligible corporation' means, with respect to any calendar year, any corporation if—

''(I) no stock of such corporation (or any predecessor of such corporation) is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) during any preceding calendar year, and

''(II) such corporation has a written plan under which, in such calendar year, not less than 80 percent of all employees who provide services to such corporation in the United States (or any possession of the United States) are granted stock options, or restricted stock units, with the same rights and privileges to receive qualified stock.

''(ii) SAME RIGHTS AND PRIVILEGES.—For purposes of clause (i)(II)—

''(I) except as provided in subclauses (II) and (III), the determination of rights and privileges with respect to stock shall be determined in a similar manner as provided under section 423(b)(5),

''(II) employees shall not fail to be treated as having the same rights and privileges to receive qualified stock solely because the number of shares available to all employees is not equal in amount, so long as the number of shares available to each employee is more than a de minimis amount, and

''(III) rights and privileges with respect to the exercise of an option shall not be treated as the same as rights and privileges with respect to the settlement of a restricted stock unit.

''(iii) EMPLOYEE.—For purposes of clause (i)(II), the term 'employee' shall not include any employee described in section 4980E(d)(4) or any excluded employee.

''(iv) SPECIAL RULE FOR CALENDAR YEARS BEFORE 2018.—In the case of any calendar year beginning before January 1, 2018, clause (i)(II) shall be applied without regard to whether the rights and privileges with respect to the qualified stock are the same.

''(3) QUALIFIED EMPLOYEE; EXCLUDED EMPLOYEE.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified employee' means any individual who—

''(i) is not an excluded employee, and

''(ii) agrees in the election made under this subsection to meet such requirements as determined by the Secretary to be necessary to ensure that the withholding requirements of the corporation under chapter 24 with respect to the qualified stock are met.

''(B) EXCLUDED EMPLOYEE.—The term 'excluded employee' means, with respect to any corporation, any individual—

''(i) who was a 1-percent owner (within the meaning of section 416(i)(1)(B)(ii)) at any time during the 10 preceding calendar years,

''(ii) who is or has been at any prior time—

''(I) the chief executive officer of such corporation or an individual acting in such a capacity, or

''(II) the chief financial officer of such corporation or an individual acting in such a capacity,

''(iii) who bears a relationship described in section 318(a)(1) to any individual described in subclause (I) or (II) of clause (ii), or

''(iv) who has been for any of the 10 preceding taxable years one of the 4 highest compensated officers of such corporation determined with respect to each such taxable year on the basis of the shareholder disclosure rules for compensation under the Securities Exchange Act of 1934 (as if such rules applied to such corporation).

''(4) ELECTION.—

''(A) TIME FOR MAKING ELECTION.—An election with respect to qualified stock shall be made under this subsection no later than 30 days after the first time the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, and shall be made in a manner similar to the manner in which an election is made under subsection (b).

''(B) LIMITATIONS.—No election may be made under this section with respect to any qualified stock if—

''(i) the qualified employee has made an election under subsection (b) with respect to such qualified stock,

''(ii) any stock of the corporation which issued the qualified stock is readily tradable on an established securities market (as determined under paragraph (1)(B)(iii)) at any time before the election is made, or

''(iii) such corporation purchased any of its outstanding stock in the calendar year preceding the calendar year which includes the first time the rights of the employee in such stock are transferable or are not subject to a substantial risk of forfeiture, unless—

''(I) not less than 25 percent of the total dollar amount of the stock so purchased is deferral stock, and

''(II) the determination of which individuals from whom deferral stock is purchased is made on a reasonable basis.

''(C) DEFINITIONS AND SPECIAL RULES RELATED TO LIMITATION ON STOCK REDEMPTIONS.—

''(i) DEFERRAL STOCK.—For purposes of this paragraph, the term 'deferral stock' means stock with respect to which an election is in effect under this subsection.

''(ii) DEFERRAL STOCK WITH RESPECT TO ANY INDIVIDUAL NOT TAKEN INTO ACCOUNT IF INDIVIDUAL HOLDS DEFERRAL STOCK WITH LONGER DEFERRAL PERIOD.—Stock purchased by a corporation from any individual shall not be treated as deferral stock for purposes of clause (iii) if such individual (immediately after such purchase) holds any deferral stock with respect to which an election has been in effect under this subsection for a longer period than the election with respect to the stock so purchased.

''(iii) PURCHASE OF ALL OUTSTANDING DEFERRAL STOCK.—The requirements of subclauses (I) and (II) of subparagraph (B)(iii) shall be treated as met if the stock so purchased includes all of the corporation's outstanding deferral stock.

''(iv) REPORTING.—Any corporation which has outstanding deferral stock as of the beginning of any calendar year and which purchases any of its outstanding stock during such calendar year shall include on its return of tax for the taxable year in which, or with which, such calendar year ends the total dollar amount of its outstanding stock so purchased during such calendar year and such other information as the Secretary may require for purposes of administering this paragraph.

''(5) CONTROLLED GROUPS.—For purposes of this subsection, all corporations which are members of the same controlled group of corporations (as defined in section 1563(a)) shall be treated as one corporation.

''(6) NOTICE REQUIREMENT.—Any corporation that transfers qualified stock to a qualified employee shall, at the time that (or a reasonable period before) an amount attributable to such stock would (but for this subsection) first be includible in the gross income of such employee—

''(A) certify to such employee that such stock is qualified stock, and

''(B) notify such employee—

''(i) that the employee may elect to defer income on such stock under this subsection, and

''(ii) that, if the employee makes such an election—

''(I) the amount of income recognized at the end of the deferral period will be based on the value of the stock at the time at which the rights of the employee in such stock first become transferable or not subject to substantial risk of forfeiture, notwithstanding whether the value of the stock has declined during the deferral period,

''(II) the amount of such income recognized at the end of the deferral period will be subject to withholding under section 3401(i) at the rate determined under section 3402(t), and

''(III) the responsibilities of the employee (as determined by the Secretary under paragraph (3)(A)(ii)) with respect to such withholding.

''(7) RESTRICTED STOCK UNITS.—This section (other than this subsection), including any election under subsection (b), shall not apply to restricted stock units.''.

(2) DEDUCTION BY EMPLOYER.—Subsection (h) of section 83 is amended by striking ''or (d)(2)'' and inserting ''(d)(2), or (i)''.

(b) WITHHOLDING.—

(1) TIME OF WITHHOLDING.—Section 3401 is amended by adding at the end the following new subsection:

''(i) QUALIFIED STOCK FOR WHICH AN ELECTION IS IN EFFECT UNDER SECTION 83(i).—For purposes of subsection (a), qualified stock (as defined in section 83(i)) with respect to which an election is made under section 83(i) shall be treated as wages—

''(1) received on the earliest date described in section 83(i)(1)(B), and

''(2) in an amount equal to the amount included in income under section 83 for the taxable year which includes such date.''.

(2) AMOUNT OF WITHHOLDING.—Section 3402 is amended by adding at the end the following new subsection:

''(t) RATE OF WITHHOLDING FOR CERTAIN STOCK.—In the case of any qualified stock (as defined in section 83(i)) with respect to which an election is made under section 83(i)—

''(1) the rate of tax under subsection (a) shall not be less than the maximum rate of tax in effect under section 1, and

''(2) such stock shall be treated for purposes of section 3501(b) in the same manner as a noncash fringe benefit.''.

(c) COORDINATION WITH OTHER DEFERRED COMPENSATION RULES.—

(1) ELECTION TO APPLY DEFERRAL TO STATUTORY OPTIONS.—

(A) INCENTIVE STOCK OPTIONS.—Section 422(b) is amended by adding at the end the following: ''Such term shall not include any option if an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.''.

(B) EMPLOYEE STOCK PURCHASE PLANS.—Section 423(a) is amended by adding at the end the following flush sentence:

''The preceding sentence shall not apply to any share of stock with respect to which an election is made under section 83(i).''.

(2) EXCLUSION FROM DEFINITION OF NONQUALIFIED DEFERRED COMPENSATION PLAN.—Subsection (d) of section 409A is amended by adding at the end the following new paragraph:

''(7) TREATMENT OF QUALIFIED STOCK.—An arrangement under which an employee may receive qualified stock (as defined in section 83(i)(2)) shall not be treated as a nonqualified deferred compensation plan solely because an employee's election, or ability to make an election, to defer recognition of income under section 83(i).''.

(d) INFORMATION REPORTING.—Section 6051(a) is amended by striking ''and'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting a comma, and by inserting after paragraph (14) the following new paragraphs:

''(15) the amount excludable from gross income under subparagraph (A) of section 83(i)(1),

''(16) the amount includible in gross income under subparagraph (B) of section 83(i)(1) with respect to an event described in such subparagraph which occurs in such calendar year, and

''(17) the aggregate amount of income which is being deferred pursuant to elections under section 83(i), determined as of the close of the calendar year.''.

(e) PENALTY FOR FAILURE OF EMPLOYER TO PROVIDE NOTICE OF TAX CONSEQUENCES.—Section 6652 is amended by adding at the end the following new subsection:

''(o) FAILURE TO PROVIDE NOTICE UNDER SECTION 83(i).—In the case of each failure to provide a notice as required by section 83(i)(6), at the time prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall be paid, on notice and demand of the Secretary and in the same manner as tax, by the person failing to provide such notice, an amount equal to $100 for each such failure, but the total amount imposed on such person for all such failures during any calendar year shall not exceed $50,000.''.

(f) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to stock attributable to options exercised, or restricted stock units settled, after December 31, 2017.

(2) REQUIREMENT TO PROVIDE NOTICE.—The amendments made by subsection (e) shall apply to failures after December 31, 2017.

(g) TRANSITION RULE.—Until such time as the Secretary (or the Secretary's delegate) issue regulations or other guidance for purposes of implementing the requirements of paragraph (2)(C)(i)(II) of section 83(i) of the Internal Revenue Code of 1986 (as added by this section), or the requirements of paragraph (6) of such section, a corporation shall be treated as being in compliance with such requirements (respectively) if such corporation complies with a reasonable good faith interpretation of such requirements.

TITLE IV—TAXATION OF FOREIGN INCOME AND FOREIGN PERSONS

Subtitle A—Establishment of Participation Exemption System for Taxation of Foreign Income

SEC. 4001. DEDUCTION FOR FOREIGN-SOURCE PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

(a) IN GENERAL.—Part VIII of subchapter B of chapter 1 is amended by inserting after section 245 the following new section:

''SEC. 245A. DEDUCTION FOR FOREIGN-SOURCE PORTION OF DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

''(a) IN GENERAL.—In the case of any dividend received from a specified 10-percent owned foreign corporation by a domestic corporation which is a United States shareholder with respect to such foreign corporation, there shall be allowed as a deduction an amount equal to the foreign-source portion of such dividend.

''(b) SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION.—For purposes of this section, the term 'specified 10-percent owned foreign corporation' means any foreign corporation with respect to which any domestic corporation is a United States shareholder. Such term shall not include any passive foreign investment company (within the meaning of subpart D of part VI of subchapter P) that is not a controlled foreign corporation.

''(c) FOREIGN-SOURCE PORTION.—For purposes of this section—

''(1) IN GENERAL.—The foreign-source portion of any dividend is an amount which bears the same ratio to such dividend as—

''(A) the post-1986 undistributed foreign earnings of the specified 10-percent owned foreign corporation, bears to

''(B) the total post-1986 undistributed earnings of such foreign corporation.

''(2) POST-1986 UNDISTRIBUTED EARNINGS.—The term 'post-1986 undistributed earnings' means the amount of the earnings and profits of the specified 10-percent owned foreign corporation (computed in accordance with sections 964(a) and 986) accumulated in taxable years beginning after December 31, 1986—

''(A) as of the close of the taxable year of the specified 10-percent owned foreign corporation in which the dividend is distributed, and

''(B) without diminution by reason of dividends distributed during such taxable year.

''(3) POST-1986 UNDISTRIBUTED FOREIGN EARNINGS.—The term 'post-1986 undistributed foreign earnings' means the portion of the post-1986 undistributed earnings which is attributable to neither—

''(A) income described in subparagraph (A) of section 245(a)(5), nor

''(B) dividends described in subparagraph (B) of such section (determined without regard to section 245(a)(12)).

''(4) TREATMENT OF DISTRIBUTIONS FROM EARNINGS BEFORE 1987.—

''(A) IN GENERAL.—In the case of any dividend paid out of earnings and profits of the specified 10-percent owned foreign corporation (computed in accordance with sections 964(a) and 986) accumulated in taxable years beginning before January 1, 1987—

''(i) paragraphs (1), (2), and (3) shall be applied without regard to the phrase 'post-1986' each place it appears, and

''(ii) paragraph (2) shall be applied by substituting 'after the date specified in section 316(a)(1)' for 'in taxable years beginning after December 31, 1986'.

''(B) DIVIDENDS PAID FIRST OUT OF POST-1986 EARNINGS.—Dividends shall be treated as paid out of post-1986 undistributed earnings to the extent thereof.

''(5) TREATMENT OF CERTAIN DIVIDENDS IN EXCESS OF UNDISTRIBUTED EARNINGS.—In the case of any dividend from the specified 10-percent owned foreign corporation which is in excess of undistributed earnings (as determined under paragraph (2) after taking into account the modifications described in clauses (i) and (ii) of paragraph (4)(A)), the foreign-source portion of such dividend is an amount which bears the same ratio to such dividend as—

''(A) the portion of the earnings and profits described in subparagraph (B) which is attributable to neither income described in paragraph (3)(A) nor dividends described in paragraph (3)(B), bears to

''(B) the earnings and profits of such corporation for the taxable year in which such distribution is made (computed as of the close of the taxable year without diminution by reason of any distributions made during the taxable year).

''(d) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

''(1) IN GENERAL.—No credit shall be allowed under section 901 for any taxes paid or accrued (or treated as paid or accrued) with respect to any dividend for which a deduction is allowed under this section.

''(2) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).

''(e) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.''.

(b) APPLICATION OF HOLDING PERIOD REQUIREMENT.—Section 246(c) is amended—

(1) by striking ''or 245'' in paragraph (1) and inserting ''245, or 245A'', and

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

''(5) SPECIAL RULES FOR FOREIGN SOURCE PORTION OF DIVIDENDS RECEIVED FROM SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—

''(A) 6-MONTH HOLDING PERIOD REQUIREMENT.—For purposes of section 245A—

''(i) paragraph (1)(A) shall be applied—

''(I) by substituting '180 days' for '45 days'each place it appears, and

''(II) by substituting '361-day period' for '91-day period', and

''(ii) paragraph (2) shall not apply.

''(B) STATUS MUST BE MAINTAINED DURING HOLDING PERIOD.—For purposes of applying paragraph (1) with respect to section 245A, the taxpayer shall be treated as holding the stock referred to in paragraph (1) for any period only if—

''(i) the specified 10-percent owned foreign corporation referred to in section 245A(a) is a specified 10-percent owned foreign corporation for such period, and

''(ii) the taxpayer is a United States shareholder with respect to such specified 10-percent owned foreign corporation for such period.''.

(c) APPLICATION OF RULES GENERALLY APPLICABLE TO DEDUCTIONS FOR DIVIDENDS RECEIVED.—

(1) TREATMENT OF DIVIDENDS FROM CERTAIN CORPORATIONS.—Section 246(a)(1) is amended by striking ''and 245'' and inserting ''245, and 245A''.

(2) COORDINATION WITH SECTION 1059.—Section 1059(b)(2)(B) is amended by striking ''or 245'' and inserting ''245, or 245A''.

(d) COORDINATION WITH FOREIGN TAX CREDIT LIMITATION.—Section 904(b) is amended by adding at the end the following new paragraph:

''(5) TREATMENT OF DIVIDENDS FOR WHICH DEDUCTION IS ALLOWED UNDER SECTION 245A.—For purposes of subsection (a), in the case of a United States shareholder with respect to a specified 10-percent owned foreign corporation, such shareholder's taxable income from sources without the United States (and entire taxable income) shall be determined without regard to—

''(A) the foreign-source portion of any dividend received from such foreign corporation, and

''(B) any deductions properly allocable or apportioned to—

''(i) income (other than subpart F income (as defined in section 952) and foreign high return amounts (as defined in section 951A(b)) with respect to stock of such specified 10-percent owned foreign corporation, or

''(ii) such stock (to the extent income with respect to such stock is other than subpart F income (as so defined) or foreign high return amounts (as so defined)).

Any term which is used in section 245A and in this paragraph shall have the same meaning for purposes of this paragraph as when used in such section.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 245(a)(4) is amended by striking ''section 902(c)(1)'' and inserting ''section 245A(c)(2) applied by substituting 'qualified 10-percent owned foreign corporation' for 'specified 10-percent owned foreign corporation' each place it appears''.

(2) Section 951(b) is amended by striking ''subpart'' and inserting ''title''.

(3) Section 957(a) is amended by striking ''subpart'' in the matter preceding paragraph (1) and inserting ''title''.

(4) The table of sections for part VIII of subchapter B of chapter 1 is amended by inserting after section 245 the following new item:

''Sec. 245A. Deduction for foreign-source portion of dividends received by domestic corporations from specified 10-percent owned foreign corporations.''.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after (and, in the case of the amendments made by subsection (d), deductions with respect to taxable years ending after) December 31, 2017.

SEC. 4002. APPLICATION OF PARTICIPATION EXEMPTION TO INVESTMENTS IN UNITED STATES PROPERTY.

(a) IN GENERAL.—Section 956(a) is amended in the matter preceding paragraph (1) by inserting ''(other than a corporation)'' after ''United States shareholder''.

(b) REGULATORY AUTHORITY TO PREVENT ABUSE.—Section 956(e) is amended by striking ''including regulations to prevent'' and inserting ''including regulations—

''(1) to address United States shareholders that are partnerships with corporate partners, and

''(2) to prevent''.

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

SEC. 4003. LIMITATION ON LOSSES WITH RESPECT TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

(a) BASIS IN SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION REDUCED BY NONTAXED PORTION OF DIVIDEND FOR PURPOSES OF DETERMINING LOSS.—

(1) IN GENERAL.—Section 961 is amended by adding at the end the following new subsection:

''(d) BASIS IN SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATION REDUCED BY NONTAXED PORTION OF DIVIDEND FOR PURPOSES OF DETERMINING LOSS.—If a domestic corporation received a dividend from a specified 10-percent owned foreign corporation (as defined in section 245A) in any taxable year, solely for purposes of determining loss on any disposition of stock of such foreign corporation in such taxable year or any subsequent taxable year, the basis of such domestic corporation in such stock shall be reduced (but not below zero) by the amount of any deduction allowable to such domestic corporation under section 245A with respect to such stock except to the extent such basis was reduced under section 1059 by reason of a dividend for which such a deduction was allowable.''.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to distributions made after December 31, 2017.

(b) TREATMENT OF FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.—

(1) IN GENERAL.—Part II of subchapter B of chapter 1 is amended by adding at the end the following new section:

''SEC. 91. CERTAIN FOREIGN BRANCH LOSSES TRANSFERRED TO SPECIFIED 10-PERCENT OWNED FOREIGN CORPORATIONS.

''(a) IN GENERAL.—If a domestic corporation transfers substantially all of the assets of a foreign branch (within the meaning of section 367(a)(3)(C)) to a specified 10-percent owned foreign corporation (as defined in section 245A) with respect to which it is a United States shareholder after such transfer, such domestic corporation shall include in gross income for the taxable year which includes such transfer an amount equal to the transferred loss amount with respect to such transfer.

''(b) TRANSFERRED LOSS AMOUNT.—For purposes of this section, the term 'transferred loss amount' means, with respect to any transfer of substantially all of the assets of a foreign branch, the excess (if any) of—

''(1) the sum of losses—

''(A) which were incurred by the foreign branch after December 31, 2017, and before the transfer, and

''(B) with respect to which a deduction was allowed to the taxpayer, over

''(2) the sum of—

''(A) any taxable income of such branch for a taxable year after the taxable year in which the loss was incurred and through the close of the taxable year of the transfer, and

''(B) any amount which is recognized under section 904(f)(3) on account of the transfer.

''(c) REDUCTION FOR RECOGNIZED GAINS.—

''(1) IN GENERAL.—In the case of a transfer not described in section 367(a)(3)(C), the transferred loss amount shall be reduced (but not below zero) by the amount of gain recognized by the taxpayer on account of the transfer (other than amounts taken into account under subsection (c)(2)(B)).

''(2) COORDINATION WITH RECOGNITION UNDER SECTION 367.—In the case of a transfer described in section 367(a)(3)(C), the transferred loss amount shall not exceed the excess (if any) of—

''(A) the excess of the amount described in section 367(a)(3)(C)(i) over the amount described in section 367(a)(3)(C)(ii) with respect to such transfer, over

''(B) the amount of gain recognized under section 367(a)(3)(C) with respect to such transfer.

''(d) SOURCE OF INCOME.—Amounts included in gross income under this section shall be treated as derived from sources within the United States.

''(e) BASIS ADJUSTMENTS.—Consistent with such regulations or other guidance as the Secretary may prescribe, proper adjustments shall be made in the adjusted basis of the taxpayer's stock in the specified 10-percent owned foreign corporation to which the transfer is made, and in the transferee's adjusted basis in the property transferred, to reflect amounts included in gross income under this section.''.

(2) AMOUNTS RECOGNIZED UNDER SECTION 367 ON TRANSFER OF FOREIGN BRANCH WITH PREVIOUSLY DEDUCTED LOSSES TREATED AS UNITED STATES SOURCE.—Section 367(a)(3)(C) is amended by striking ''outside'' in the last sentence and inserting ''within''.

(3) CLERICAL AMENDMENT.—The table of sections for part II of subchapter B of chapter 1 is amended by adding at the end the following new item:

''Sec. 91. Certain foreign branch losses transferred to specified 10-percent owned foreign corporations.''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to transfers after December 31, 2017.

SEC. 4004. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION.

(a) IN GENERAL.—Section 965 is amended to read as follows:

''SEC. 965. TREATMENT OF DEFERRED FOREIGN INCOME UPON TRANSITION TO PARTICIPATION EXEMPTION SYSTEM OF TAXATION.

''(a) TREATMENT OF DEFERRED FOREIGN INCOME AS SUBPART F INCOME.—In the case of the last taxable year of a deferred foreign income corporation which begins before January 1, 2018, the subpart F income of such foreign corporation (as otherwise determined for such taxable year under section 952) shall be increased by the greater of—

''(1) the accumulated post-1986 deferred foreign income of such corporation determined as of November 2, 2017, or

''(2) the accumulated post-1986 deferred foreign income of such corporation determined as of December 31, 2017.

''(b) REDUCTION IN AMOUNTS INCLUDED IN GROSS INCOME OF UNITED STATES SHAREHOLDERS OF SPECIFIED FOREIGN CORPORATIONS WITH DEFICITS IN EARNINGS AND PROFITS.—

''(1) IN GENERAL.—In the case of a taxpayer which is a United States shareholder with respect to at least one deferred foreign income corporation and at least one E&P deficit foreign corporation, the amount which would (but for this subsection) be taken into account under section 951(a)(1) by reason of subsection (a) as such United States shareholder's pro rata share of the subpart F income of each deferred foreign income corporation shall be reduced (but not below zero) by the amount of such United States shareholder's aggregate foreign E&P deficit which is allocated under paragraph (2) to such deferred foreign income corporation.

''(2) ALLOCATION OF AGGREGATE FOREIGN E&P DEFICIT.—The aggregate foreign E&P deficit of any United States shareholder shall be allocated among the deferred foreign income corporations of such United States shareholder in an amount which bears the same proportion to such aggregate as—

''(A) such United States shareholder's pro rata share of the accumulated post-1986 deferred foreign income of each such deferred foreign income corporation, bears to

''(B) the aggregate of such United States shareholder's pro rata share of the accumulated post-1986 deferred foreign income of all deferred foreign income corporations of such United States shareholder.

''(3) DEFINITIONS RELATED TO E&P DEFICITS.—For purposes of this subsection—

''(A) AGGREGATE FOREIGN E&P DEFICIT.—The term 'aggregate foreign E&P deficit' means, with respect to any United States shareholder, the aggregate of such shareholder's pro rata shares of the specified E&P deficits of the E&P deficit foreign corporations of such shareholder.

''(B) E&P DEFICIT FOREIGN CORPORATION.—The term 'E&P deficit foreign corporation' means, with respect to any taxpayer, any specified foreign corporation with respect to which such taxpayer is a United States shareholder, if—

''(i) such specified foreign corporation has a deficit in post-1986 earnings and profits, and

''(ii) as of November 2, 2017—

''(I) such corporation was a specified foreign corporation, and

''(II) such taxpayer was a United States shareholder of such corporation.

''(C) SPECIFIED E&P DEFICIT.—The term 'specified E&P deficit' means, with respect to any E&P deficit foreign corporation, the amount of the deficit referred to in subparagraph (B).

''(4) NETTING AMONG UNITED STATES SHAREHOLDERS IN SAME AFFILIATED GROUP.—

''(A) IN GENERAL.—In the case of any affiliated group which includes at least one E&P net surplus shareholder and one E&P net deficit shareholder, the amount which would (but for this paragraph) be taken into account under section 951(a)(1) by reason of subsection (a) by each such E&P net surplus shareholder shall be reduced (but not below zero) by such shareholder's applicable share of the affiliated group's aggregate unused E&P deficit.

''(B) E&P NET SURPLUS SHAREHOLDER.—For purposes of this paragraph, the term 'E&P net surplus shareholder' means any United States shareholder which would (determined without regard to this paragraph) take into account an amount greater than zero under section 951(a)(1) by reason of subsection (a).

''(C) E&P NET DEFICIT SHAREHOLDER.—For purposes of this paragraph, the term 'E&P net deficit shareholder' means any United States shareholder if—

''(i) the aggregate foreign E&P deficit with respect to such shareholder (as defined in paragraph (3)(A)), exceeds

''(ii) the amount which would (but for this subsection) be taken into account by such shareholder under section 951(a)(1) by reason of subsection (a).

''(D) AGGREGATE UNUSED E&P DEFICIT.—For purposes of this paragraph—

''(i) IN GENERAL.—The term 'aggregate unused E&P deficit' means, with respect to any affiliated group, the lesser of—

''(I) the sum of the excesses described in subparagraph (C), determined with respect to each E&P net deficit shareholder in such group, or

''(II) the amount determined under subparagraph (E)(ii).

''(ii) REDUCTION WITH RESPECT TO E&P NET DEFICIT SHAREHOLDERS WHICH ARE NOT WHOLLY OWNED BY THE AFFILIATED GROUP.—If the group ownership percentage of any E&P net deficit shareholder is less than 100 percent, the amount of the excess described in subparagraph (C) which is taken into account under clause (i)(I) with respect to such E&P net deficit shareholder shall be such group ownership percentage of such amount.

''(E) APPLICABLE SHARE.—For purposes of this paragraph, the term 'applicable share' means, with respect to any E&P net surplus shareholder in any affiliated group, the amount which bears the same proportion to such group's aggregate unused E&P deficit as—

''(i) the product of—

''(I) such shareholder's group ownership percentage, multiplied by

''(II) the amount which would (but for this paragraph) be taken into account under section 951(a)(1) by reason of subsection (a) by such shareholder, bears to

''(ii) the aggregate amount determined under clause (i) with respect to all E&P net surplus shareholders in such group.

''(F) GROUP OWNERSHIP PERCENTAGE.—For purposes of this paragraph, the term 'group ownership percentage' means, with respect to any United States shareholder in any affiliated group, the percentage of the value of the stock of such United States shareholder which is held by other includible corporations in such affiliated group. Notwithstanding the preceding sentence, the group ownership percentage of the common parent of the affiliated group is 100 percent. Any term used in this subparagraph which is also used in section 1504 shall have the same meaning as when used in such section.

''(c) APPLICATION OF PARTICIPATION EXEMPTION TO INCLUDED INCOME.—

''(1) IN GENERAL.—In the case of a United States shareholder of a deferred foreign income corporation, there shall be allowed as a deduction for the taxable year in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section an amount equal to the sum of—

''(A) the United States shareholder's 7 percent rate equivalent percentage of the excess (if any) of—

''(i) the amount so included as gross income, over

''(ii) the amount of such United States shareholder's aggregate foreign cash position, plus

''(B) the United States shareholder's 14 percent rate equivalent percentage of so much of the amount described in subparagraph (A)(ii) as does not exceed the amount described in subparagraph (A)(i).

''(2) 7 AND 14 PERCENT RATE EQUIVALENT PERCENTAGES.—For purposes of this subsection—

''(A) 7 PERCENT RATE EQUIVALENT PERCENTAGE.—The term '7 percent rate equivalent percentage' means, with respect to any United States shareholder for any taxable year, the percentage which would result in the amount to which such percentage applies being subject to a 7 percent rate of tax determined by only taking into account a deduction equal to such percentage of such amount and the highest rate of tax specified in section 11 for such taxable year. In the case of any taxable year of a United States shareholder to which section 15 applies, the highest rate of tax under section 11 before the effective date of the change in rates and the highest rate of tax under section 11 after the effective date of such change shall each be taken into account under the preceding sentence in the same proportions as the portion of such taxable year which is before and after such effective date, respectively.

''(B) 14 PERCENT RATE EQUIVALENT PERCENTAGE.—The term '14 percent rate equivalent percentage' means, with respect to any United States shareholder for any taxable year, the percentage determined under subparagraph (A) applied by substituting '14 percent rate of tax' for '7 percent rate of tax'.

''(3) AGGREGATE FOREIGN CASH POSITION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'aggregate foreign cash position' means, with respect to any United States shareholder, one-third of the sum of—

''(i) the aggregate of such United States shareholder's pro rata share of the cash position of each specified foreign corporation of such United States shareholder determined as of November 2, 2017,

''(ii) the aggregate described in clause (i) determined as of the close of the last taxable year of each such specified foreign corporation which ends before November 2, 2017, and

''(iii) the aggregate described in clause (i) determined as of the close of the taxable year of each such specified foreign corporation which precedes the taxable year referred to in clause (ii).

In the case of any foreign corporation which did not exist as of the determination date described in clause (ii) or (iii), this subparagraph shall be applied separately to such foreign corporation by not taking into account such clause and by substituting 'one-half (100 percent in the case that both clauses (ii) and (iii) are disregarded)' for 'one-third'.

''(B) CASH POSITION.—For purposes of this paragraph, the cash position of any specified foreign corporation is the sum of—

''(i) cash held by such foreign corporation,

''(ii) the net accounts receivable of such foreign corporation, plus

''(iii) the fair market value of the following assets held by such corporation:

''(I) Actively traded personal property for which there is an established financial market.

''(II) Commercial paper, certificates of deposit, the securities of the Federal government and of any State or foreign government.

''(III) Any foreign currency.

''(IV) Any obligation with a term of less than one year.

''(V) Any asset which the Secretary identifies as being economically equivalent to any asset described in this subparagraph.

''(C) NET ACCOUNTS RECEIVABLE.—For purposes of this paragraph, the term 'net accounts receivable' means, with respect to any specified foreign corporation, the excess (if any) of—

''(i) such corporation's accounts receivable, over

''(ii) such corporation's accounts payable (determined consistent with the rules of section 461).

''(D) PREVENTION OF DOUBLE COUNTING.—

''(i) IN GENERAL.—The applicable percentage of each specified cash position of a specified foreign corporation shall not be taken into account by—

''(I) the United States shareholder referred to in clause (ii) with respect to such position, or

''(II) any United States shareholder which is an includible corporation in the same affiliated group as such United States shareholder referred to in clause (ii).

''(ii) SPECIFIED CASH POSITION.—For purposes of this subparagraph, the term 'specified cash position' means—

''(I) amounts described in subparagraph (B)(ii) to the extent such amounts are receivable from another specified foreign corporation with respect to any United States shareholder,

''(II) amounts described in subparagraph (B)(iii)(I) to the extent such amounts consist of an equity interest in another specified foreign corporation with respect to any United States shareholder, and

''(III) amounts described in subparagraph (B)(iii)(IV) to the extent that another specified foreign corporation with respect to any United States shareholder is obligated to repay such amount.

''(iii) APPLICABLE PERCENTAGE.—For purposes of this subparagraph, the term 'applicable percentage' means—

''(I) with respect to each specified cash position described in subclause (I) or (III) of clause (ii), the pro rata share of the United States shareholder referred to in clause (ii) with respect to the specified foreign corporation referred to in such clause, and

''(II) with respect to each specified cash position described in clause (ii)(II), the ratio (expressed as a percentage and not in excess of 100 percent) of the United States shareholder's pro rata share of the cash position of the specified foreign corporation referred to in such clause divided by the amount of such specified cash position.

For purposes of this subparagraph, a separate applicable percentage shall be determined under each of subclauses (I) and (II) with respect to each specified foreign corporation referred to in clause (ii) with respect to which a specified cash position is determined for the specified foreign corporation referred to in clause (i).

''(iv) REDUCTION WITH RESPECT TO AFFILIATED GROUP MEMBERS NOT WHOLLY OWNED BY THE AFFILIATED GROUP.—For purposes of clause (i)(II), in the case of an includible corporation the group ownership percentage of which is less than 100 percent (as determined under subsection (b)(4)(F)), the amount not take into account by reason of such clause shall be the

group ownership percentage of such amount (determined without regard to this clause).

''(E) CERTAIN BLOCKED ASSETS NOT TAKEN INTO ACCOUNT.—A cash position of a specified foreign corporation shall not be taken into account under subparagraph (A) if such position could not (as of the date that it would otherwise have been taken into account under clause (i), (ii), or (iii) of subparagraph (A)) have been distributed by such specified foreign corporation to United States shareholders of such specified foreign corporation because of currency or other restrictions or limitations imposed under the laws of any foreign country (within the meaning of section 964(b)).

''(F) CASH POSITIONS OF CERTAIN NON-CORPORATE ENTITIES TAKEN INTO ACCOUNT.—An entity (other than a domestic corporation) shall be treated as a specified foreign corporation of a United States shareholder for purposes of determining such United States shareholder's aggregate foreign cash position if any interest in such entity is held by a specified foreign corporation of such United States shareholder (determined after application of this subparagraph) and such entity would be a specified foreign corporation of such United States shareholder if such entity were a foreign corporation.

''(G) TIME OF CERTAIN DETERMINATIONS.—For purposes of this paragraph, the determination of whether a person is a United States shareholder, whether a person is a specified foreign corporation, and the pro rata share of a United States shareholder with respect to a specified foreign corporation, shall be determined as of the end of the taxable year described in subsection (a).

''(H) ANTI-ABUSE.—If the Secretary determines that the principal purpose of any transaction was to reduce the aggregate foreign cash position taken into account under this subsection, such transaction shall be disregarded for purposes of this subsection.

''(d) DEFERRED FOREIGN INCOME CORPORATION; ACCUMULATED POST-1986 DEFERRED FOREIGN INCOME.—For purposes of this section—

''(1) DEFERRED FOREIGN INCOME CORPORATION.—The term 'deferred foreign income corporation' means, with respect to any United States shareholder, any specified foreign corporation of such United States shareholder which has accumulated post-1986 deferred foreign income (as of the date referred to in paragraph (1) or (2) of subsection (a), whichever is applicable with respect to such foreign corporation) greater than zero.

''(2) ACCUMULATED POST-1986 DEFERRED FOREIGN INCOME.—The term 'accumulated post-1986 deferred foreign income' means the post-1986 earnings and profits except to the extent such earnings—

''(A) are attributable to income of the specified foreign corporation which is effectively connected with the conduct of a trade or business within the United States and subject to tax under this chapter, or

''(B) if distributed, would be excluded from the gross income of a United States shareholder under section 959.

To the extent provided in regulations or other guidance prescribed by the Secretary, in the case of any controlled foreign corporation which has shareholders which are not United States shareholders, accumulated post-1986 deferred foreign income shall be appropriately reduced by amounts which would be described in subparagraph (B) if such shareholders were United States shareholders.

''(3) POST-1986 EARNINGS AND PROFITS.—The term 'post-1986 earnings and profits' means the earnings and profits of the foreign corporation (computed in accordance with sections 964(a) and 986) accumulated in taxable years beginning after December 31, 1986, and determined—

''(A) as of the date referred to in paragraph (1) or (2) of subsection (a), whichever is applicable with respect to such foreign corporation,

''(B) without diminution by reason of dividends distributed during the taxable year ending with or including such date, and

''(C) increased by the amount of any qualified deficit (within the meaning of section 952(c)(1)(B)(ii)) arising before January 1, 2018, which is treated as a qualified deficit (within the meaning of such section as amended by the Tax Cuts and Jobs Act) for purposes of such foreign corporation's first taxable year beginning after December 31, 2017.

''(e) SPECIFIED FOREIGN CORPORATION.—

''(1) IN GENERAL.—For purposes of this section, the term 'specified foreign corporation' means—

''(A) any controlled foreign corporation, and

''(B) any foreign corporation with respect to which one or more domestic corporations is a United States shareholder (determined without regard to section 958(b)(4)).

''(2) APPLICATION TO CERTAIN FOREIGN CORPORATIONS.—For purposes of sections 951 and 961, a foreign corporation described in paragraph (1)(B) shall be treated as a controlled foreign corporation solely for purposes of taking into account the subpart F income of such corporation under subsection (a) (and for purposes of applying subsection (f)).

''(3) EXCEPTION FOR PASSIVE FOREIGN INVESTMENT COMPANIES.—The term 'specified foreign corporation' shall not include any passive foreign investment company (within the meaning of subpart D of part VI of subchapter P) that is not a controlled foreign corporation.

''(f) DETERMINATIONS OF PRO RATA SHARE.—For purposes of this section, the determination of any United States shareholder's pro rata share of any amount with respect to any specified foreign corporation shall be determined under rules similar to the rules of section 951(a)(2) by treating such amount in the same manner as subpart F income (and by treating such specified foreign corporation as a controlled foreign corporation).

''(g) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

''(1) IN GENERAL.—No credit shall be allowed under section 901 for the applicable percentage of any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under this section.

''(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term 'applicable percentage' means the amount (expressed as a percentage) equal to the sum of—

''(A) 80 percent of the ratio of—

''(i) the excess to which subsection (c)(1)(A) applies, divided by

''(ii) the sum of such excess plus the amount to which subsection (c)(1)(B) applies, plus

''(B) 60 percent of the ratio of—

''(i) the amount to which subsection (c)(1)(B) applies, divided by

''(ii) the sum described in subparagraph (A)(ii).

''(3) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).

''(4) COORDINATION WITH SECTION 78.—With respect to the taxes treated as paid or accrued by a domestic corporation with respect to amounts which are includible in gross income of such domestic corporation by reason of this section, section 78 shall apply only to so much of such taxes as bears the same proportion to the amount of such taxes as—

''(A) the excess of—

''(i) the amounts which are includible in gross income of such domestic corporation by reason of this section, over

''(ii) the deduction allowable under subsection (c) with respect to such amounts, bears to

''(B) such amounts.

''(5) EXTENSION OF FOREIGN TAX CREDIT CARRYOVER PERIOD.—With respect to any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under this section, section 904(c) shall be applied by substituting 'first 20 succeeding taxable years' for 'first 10 succeeding taxable years'.

''(h) ELECTION TO PAY LIABILITY IN INSTALLMENTS.—

''(1) IN GENERAL.—In the case of a United States shareholder of a deferred foreign income corporation, such United States shareholder may elect to pay the net tax liability under this section in 8 equal installments.

''(2) DATE FOR PAYMENT OF INSTALLMENTS.—If an election is made under paragraph (1), the first installment shall be paid on the due date (determined without regard to any extension of time for filing the return) for the return of tax for the taxable year described in subsection (a) and each succeeding installment shall be paid on the due date (as so determined) for the return of tax for the taxable year following the taxable year with respect to which the preceding installment was made.

''(3) ACCELERATION OF PAYMENT.—If there is an addition to tax for failure to timely pay any installment required under this subsection, a liquidation or sale of substantially all the assets of the taxpayer (including in a title 11 or similar case), a cessation of business by the taxpayer, or any similar circumstance, then the unpaid portion of all remaining installments shall be due on the date of such event (or in the case of a title 11 or similar case, the day before the petition is filed). The preceding sentence shall not apply to the sale of substantially all the assets of a taxpayer to a buyer if such buyer enters into an agreement with the Secretary under which such buyer is liable for the remaining installments due under this subsection in the same manner as if such buyer were the taxpayer.

''(4) PRORATION OF DEFICIENCY TO INSTALLMENTS.—If an election is made under paragraph (1) to pay the net tax liability under this section in installments and a deficiency has been assessed with respect to such net tax liability, the deficiency shall be prorated to the installments payable under paragraph (1). The part of the deficiency so prorated to any installment the date for payment of which has not arrived shall be collected at the same time as, and as a part of, such installment. The part of the deficiency so prorated to any installment the date for payment of which has arrived shall be paid upon notice and demand from the Secretary. This subsection shall not apply if the deficiency is due to negligence, to intentional disregard of rules and regulations, or to fraud with intent to evade tax.

''(5) ELECTION.—Any election under paragraph (1) shall be made not later than the due date for the return of tax for the taxable year described in subsection (a) and shall be made in such manner as the Secretary may provide.

''(6) NET TAX LIABILITY UNDER THIS SECTION.—For purposes of this subsection—

''(A) IN GENERAL.—The net tax liability under this section with respect to any United States shareholder is the excess (if any) of—

''(i) such taxpayer's net income tax for the taxable year in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section, over

''(ii) such taxpayer's net income tax for such taxable year determined—

''(I) without regard to this section, and

''(II) without regard to any income, deduction, or credit, properly attributable to a dividend received by such United States shareholder from any deferred foreign income corporation.

''(B) NET INCOME TAX.—The term 'net income tax' means the regular tax liability reduced by the credits allowed under subparts A, B, and D of part IV of subchapter A.

''(i) SPECIAL RULES FOR S CORPORATION SHAREHOLDERS.—

''(1) IN GENERAL.—In the case of any S corporation which is a United States shareholder of

a deferred foreign income corporation, each shareholder of such S corporation may elect to defer payment of such shareholder's net tax liability under this section with respect to such S corporation until the shareholder's taxable year which includes the triggering event with respect to such liability. Any net tax liability payment of which is deferred under the preceding sentence shall be assessed on the return as an addition to tax in the shareholder's taxable year which includes such triggering event.

''(2) TRIGGERING EVENT.—

''(A) IN GENERAL.—In the case of any shareholder's net tax liability under this section with respect to any S corporation, the triggering event with respect to such liability is whichever of the following occurs first:

''(i) Such corporation ceases to be an S corporation (determined as of the first day of the first taxable year that such corporation is not an S corporation).

''(ii) A liquidation or sale of substantially all the assets of such S corporation (including in a title 11 or similar case), a cessation of business by such S corporation, such S corporation ceases to exist, or any similar circumstance.

''(iii) A transfer of any share of stock in such S corporation by the taxpayer (including by reason of death, or otherwise).

''(B) PARTIAL TRANSFERS OF STOCK.—In the case of a transfer of less than all of the taxpayer's shares of stock in the S corporation, such transfer shall only be a triggering event with respect to so much of the taxpayer's net tax liability under this section with respect to such S corporation as is properly allocable to such stock.

''(C) TRANSFER OF LIABILITY.—A transfer described in clause (iii) shall not be treated as a triggering event if the transferee enters into an agreement with the Secretary under which such transferee is liable for net tax liability with respect to such stock in the same manner as if such transferee were the taxpayer.

''(3) NET TAX LIABILITY.—A shareholder's net tax liability under this section with respect to any S corporation is the net tax liability under this section which would be determined under subsection (h)(6) if the only subpart F income taken into account by such shareholder by reason of this section were allocations from such S corporation.

''(4) ELECTION TO PAY DEFERRED LIABILITY IN INSTALLMENTS.—In the case of a taxpayer which elects to defer payment under paragraph (1)—

''(A) subsection (h) shall be applied separately with respect to the liability to which such election applies,

''(B) an election under subsection (h) with respect to such liability shall be treated as timely made if made not later than the due date for the return of tax for the taxable year in which the triggering event with respect to such liability occurs,

''(C) the first installment under subsection (h) with respect to such liability shall be paid not later than such due date (but determined without regard to any extension of time for filing the return), and

''(D) if the triggering event with respect to any net tax liability is described in paragraph (2)(A)(ii), an election under subsection (h) with respect to such liability may be made only with the consent of the Secretary.

''(5) JOINT AND SEVERAL LIABILITY OF S CORPORATION.—If any shareholder of an S corporation elects to defer payment under paragraph (1), such S corporation shall be jointly and severally liable for such payment and any penalty, addition to tax, or additional amount attributable thereto.

''(6) EXTENSION OF LIMITATION ON COLLECTION.—Notwithstanding any other provision of law, any limitation on the time period for the collection of a liability deferred under this subsection shall not be treated as beginning before the date of the triggering event with respect to such liability.

''(7) ANNUAL REPORTING OF NET TAX LIABILITY.—

''(A) IN GENERAL.—Any shareholder of an S corporation which makes an election under paragraph (1) shall report the amount of such shareholder's deferred net tax liability on such shareholder's return of tax for the taxable year for which such election is made and on the return of tax for each taxable year thereafter until such amount has been fully assessed on such returns.

''(B) DEFERRED NET TAX LIABILITY.—For purposes of this paragraph, the term 'deferred net tax liability' means, with respect to any taxable year, the amount of net tax liability payment of which has been deferred under paragraph (1) and which has not been assessed on a return of tax for any prior taxable year.

''(C) FAILURE TO REPORT.—In the case of any failure to report any amount required to be reported under subparagraph (A) with respect to any taxable year before the due date for the return of tax for such taxable year, there shall be assessed on such return as an addition to tax 5 percent of such amount.

''(8) ELECTION.—Any election under paragraph (1)—

''(A) shall be made by the shareholder of the S corporation not later than the due date for such shareholder's return of tax for the taxable year which includes the close of the taxable year of such S corporation in which the amount described in subsection (a) is taken into account, and

''(B) shall be made in such manner as the Secretary may provide.

''(j) REPORTING BY S CORPORATION.—Each S corporation which is a United States shareholder of a deferred foreign income corporation shall report in its return of tax under section 6037(a) the amount includible in its gross income for such taxable year by reason of this section and the amount of the deduction allowable by subsection (c). Any copy provided to a shareholder under section 6037(b) shall include a statement of such shareholder's pro rata share of such amounts.

''(k) INCLUSION OF DEFERRED FOREIGN INCOME UNDER THIS SECTION NOT TO TRIGGER RECAPTURE OF OVERALL FOREIGN LOSS, ETC.—For purposes of sections 904(f)(1) and 907(c)(4), in the case of a United States shareholder of a deferred foreign income corporation, such United States shareholder's taxable income from sources without the United States and combined foreign oil and gas income shall be determined without regard to this section.

''(l) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.''.

(b) CLERICAL AMENDMENT.—The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 965 and inserting the following:

''Sec. 965. Treatment of deferred foreign income upon transition to participation exemption system of taxation.''.

Subtitle B—Modifications Related to Foreign Tax Credit System

SEC. 4101. REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS; DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.

(a) REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS.—Subpart A of part III of subchapter N of chapter 1 is amended by striking section 902.

(b) DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.—Section 960 is amended—

(1) by striking subsection (c), by redesignating subsection (b) as subsection (c), by striking all that precedes subsection (c) (as so redesignated) and inserting the following:

''SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLUSIONS.

''(a) IN GENERAL.—For purposes of this subpart, if there is included in the gross income of a domestic corporation any item of income under section 951(a)(1) with respect to any controlled foreign corporation with respect to which such domestic corporation is a United States shareholder, such domestic corporation shall be deemed to have paid so much of such foreign corporation's foreign income taxes as are properly attributable to such item of income.

''(b) SPECIAL RULES FOR DISTRIBUTIONS FROM PREVIOUSLY TAXED EARNINGS AND PROFITS.—For purposes of this subpart—

''(1) IN GENERAL.—If any portion of a distribution from a controlled foreign corporation to a domestic corporation which is a United States shareholder with respect to such controlled foreign corporation is excluded from gross income under section 959(a), such domestic corporation shall be deemed to have paid so much of such foreign corporation's foreign income taxes as—

''(A) are properly attributable to such portion, and

''(B) have not been deemed to have to been paid by such domestic corporation under this section for the taxable year or any prior taxable year.

''(2) TIERED CONTROLLED FOREIGN CORPORATIONS.—If section 959(b) applies to any portion of a distribution from a controlled foreign corporation to another controlled foreign corporation, such controlled foreign corporation shall be deemed to have paid so much of such other controlled foreign corporation's foreign income taxes as—

''(A) are properly attributable to such portion, and

''(B) have not been deemed to have been paid by a domestic corporation under this section for the taxable year or any prior taxable year.'',

(2) and by adding after subsection (c) (as so redesignated) the following new subsections:

''(d) FOREIGN INCOME TAXES.—The term 'foreign income taxes' means any income, war profits, or excess profits taxes paid or accrued to any foreign country or possession of the United States.

''(e) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 78 is amended to read as follows:

''SEC. 78. GROSS UP FOR DEEMED PAID FOREIGN TAX CREDIT.

''If a domestic corporation chooses to have the benefits of subpart A of part III of subchapter N (relating to foreign tax credit) for any taxable year, an amount equal to the taxes deemed to be paid by such corporation under subsections (a) and (b) of section 960 for such taxable year shall be treated for purposes of this title (other than sections 959, 960, and 961) as an item of income required to be included in the gross income of such domestic corporation under section 951(a) for such taxable year.''.

(2) Section 245(a)(10)(C) is amended by striking ''sections 902, 907, and 960'' and inserting ''sections 907 and 960''.

(3) Sections 535(b)(1) and 545(b)(1) are each amended by striking ''section 902(a) or 960(a)(1)'' and inserting ''section 960''.

(4) Section 814(f)(1) is amended—

(A) by striking subparagraph (B), and

(B) by striking all that precedes ''No income'' and inserting the following:

''(1) TREATMENT OF FOREIGN TAXES.—''.

(5) Section 865(h)(1)(B) is amended by striking ''sections 902, 907, and 960'' and inserting ''sections 907 and 960''.

(6) Section 901(a) is amended by striking ''sections 902 and 960'' and inserting ''section 960''.

(7) Section 901(e)(2) is amended by striking ''but is not limited to—'' and all that follows through ''that portion'' and inserting ''but is not limited to, that portion''.

(8) Section 901(f) is amended by striking ''sections 902 and 960'' and inserting ''section 960''.

(9) Section 901(j)(1)(A) is amended by striking ''902 or''.

(10) Section 901(j)(1)(B) is amended by striking ''sections 902 and 960'' and inserting ''section 960''.

(11) Section 901(k)(2) is amended by striking ''section 853, 902, or 960'' and inserting ''section 853 or 960''.

(12) Section 901(k)(6) is amended by striking ''902 or''.

(13) Section 901(m)(1) is amended by striking ''relevant foreign assets—'' and all that follows and inserting ''relevant foreign assets shall not be taken into account in determining the credit allowed under subsection (a).''.

(14) Section 904(d)(1) is amended by striking ''sections 902, 907, and 960'' and inserting ''sections 907 and 960''.

(15) Section 904(d)(6)(A) is amended by striking ''sections 902, 907, and 960'' and inserting ''sections 907 and 960''.

(16) Section 904(h)(10)(A) is amended by striking ''sections 902, 907, and 960'' and inserting ''sections 907 and 960''.

(17) Section 904 is amended by striking subsection (k).

(18) Section 905(c)(1) is amended by striking the last sentence.

(19) Section 905(c)(2)(B)(i) is amended to read as follows:

''(i) shall be taken into account for the taxable year to which such taxes relate, and''.

(20) Section 906(a) is amended by striking ''(or deemed, under section 902, paid or accrued during the taxable year)''.

(21) Section 906(b) is amended by striking paragraphs (4) and (5).

(22) Section 907(b)(2)(B) is amended by striking ''902 or''.

(23) Section 907(c)(3) is amended—

(A) by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively, and

(B) by striking ''section 960(a)'' in subparagraph (A) (as so redesignated) and inserting ''section 960''.

(24) Section 907(c)(5) is amended by striking ''902 or''.

(25) Section 907(f)(2)(B)(i) is amended by striking ''902 or''.

(26) Section 908(a) is amended by striking ''902 or''.

(27) Section 909(b) is amended—

(A) by striking ''section 902 corporation'' in the matter preceding paragraph (1) and inserting ''10/50 corporation'',

(B) by striking ''902 or'' in paragraph (1),

(C) by striking ''by such section 902 corporation'' and all that follows in the matter following paragraph (2) and inserting ''by such 10/50 corporation or a domestic corporation which is a United States shareholder with respect to such 10/50 corporation.'', and

(D) by striking ''SECTION 902 CORPORATIONS'' in the heading thereof and inserting ''10/50 CORPORATIONS''.

(28) Section 909(d)(5) is amended to read as follows:

''(5) 10/50 CORPORATION.—The term '10/50 corporation' means any foreign corporation with respect to which one or more domestic corporations is a United States shareholder.''.

(29) Section 958(a)(1) is amended by striking ''960(a)(1)'' and inserting ''960''.

(30) Section 959(d) is amended by striking ''Except as provided in section 960(a)(3), any'' and inserting ''Any''.

(31) Section 959(e) is amended by striking ''section 960(b)'' and inserting ''section 960(c)''.

(32) Section 1291(g)(2)(A) is amended by striking ''any distribution—'' and all that follows through ''but only if'' and inserting ''any distribution, any withholding tax imposed with respect to such distribution, but only if''.

(33) Section 6038(c)(1)(B) is amended by striking ''sections 902 (relating to foreign tax credit for corporate stockholder in foreign corporation) and 960 (relating to special rules for foreign tax credit)'' and inserting ''section 960''.

(34) Section 6038(c)(4) is amended by striking subparagraph (C).

(35) The table of sections for subpart A of part III of subchapter N of chapter 1 is amended by striking the item relating to section 902.

(36) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 960 and inserting the following:

''Sec. 960. Deemed paid credit for subpart F inclusions.''.

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

SEC. 4102. SOURCE OF INCOME FROM SALES OF INVENTORY DETERMINED SOLELY ON BASIS OF PRODUCTION ACTIVITIES.

(a) IN GENERAL.—Section 863(b) is amended by adding at the end the following: ''Gains, profits, and income from the sale or exchange of inventory property described in paragraph (2) shall be allocated and apportioned between sources within and without the United States solely on the basis of the production activities with respect to the property.''.

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

Subtitle C—Modification of Subpart F Provisions

SEC. 4201. REPEAL OF INCLUSION BASED ON WITHDRAWAL OF PREVIOUSLY EXCLUDED SUBPART F INCOME FROM QUALIFIED INVESTMENT.

(a) IN GENERAL.—Subpart F of part III of subchapter N of chapter 1 is amended by striking section 955.

(b) CONFORMING AMENDMENTS.—

(1)(A) Section 951(a)(1)(A) is amended to read as follows:

''(A) his pro rata share (determined under paragraph (2)) of the corporation's subpart F income for such year, and''.

(B) Section 851(b)(3) is amended by striking ''section 951(a)(1)(A)(i)'' in the flush language at the end and inserting ''section 951(a)(1)(A)''.

(C) Section 952(c)(1)(B)(i) is amended by striking ''section 951(a)(1)(A)(i)'' and inserting ''section 951(a)(1)(A)''.

(D) Section 953(c)(1)(C) is amended by striking ''section 951(a)(1)(A)(i)'' and inserting ''section 951(a)(1)(A)''.

(2) Section 951(a) is amended by striking paragraph (3).

(3) Section 953(d)(4)(B)(iv)(II) is amended by striking ''or amounts referred to in clause (ii) or (iii) of section 951(a)(1)(A)''.

(4) Section 964(b) is amended by striking '', 955,''.

(5) Section 970 is amended by striking subsection (b).

(6) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 955.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 4202. REPEAL OF TREATMENT OF FOREIGN BASE COMPANY OIL RELATED INCOME AS SUBPART F INCOME.

(a) IN GENERAL.—Section 954(a) is amended by striking paragraph (5), by striking the comma at the end of paragraph (3) and inserting a period, and by inserting ''and'' at the end of paragraph (2).

(b) CONFORMING AMENDMENTS.—

(1) Section 952(c)(1)(B)(iii) is amended by striking subclause (I) and by redesignating subclauses (II) through (V) as subclauses (I) through (IV), respectively.

(2) Section 954(b)(4) is amended by striking the last sentence.

(3) Section 954(b)(5) is amended by striking ''the foreign base company services income, and the foreign base company oil related income'' and inserting ''and the foreign base company services income''.

(4) Section 954(b) is amended by striking paragraph (6).

(5) Section 954 is amended by striking subsection (g).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 4203. INFLATION ADJUSTMENT OF DE MINIMIS EXCEPTION FOR FOREIGN BASE COMPANY INCOME.

(a) IN GENERAL.—Section 954(b)(3) is amended by adding at the end the following new subparagraph:

''(D) INFLATION ADJUSTMENT.—In the case of any taxable year beginning after 2017, the dollar amount in subparagraph (A)(ii) shall be increased by an amount equal to—

''(i) such dollar amount, multiplied by

''(ii) the cost-of-living adjustment determined under section 1(c)(2)(A) for the calendar year in which the taxable year begins.

Any increase determined under the preceding sentence shall be rounded to the nearest multiple of $50,000.''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 4204. LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS MADE PERMANENT.

(a) IN GENERAL.—Paragraph (6) of section 954(c) is amended by striking subparagraph (C).

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2019, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 4205. MODIFICATION OF STOCK ATTRIBUTION RULES FOR DETERMINING STATUS AS A CONTROLLED FOREIGN CORPORATION.

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

(1) by striking paragraph (4), and

(2) by striking ''Paragraphs (1) and (4)'' in the last sentence and inserting ''Paragraph (1)''.

(b) APPLICATION OF CERTAIN REPORTING REQUIREMENTS.—Section 6038(e)(2) is amended by striking ''except that—'' and all that follows through ''in applying subparagraph (C)'' and inserting ''except that in applying subparagraph (C)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 4206. ELIMINATION OF REQUIREMENT THAT CORPORATION MUST BE CONTROLLED FOR 30 DAYS BEFORE SUBPART F INCLUSIONS APPLY.

(a) IN GENERAL.—Section 951(a)(1) is amended by striking ''for an uninterrupted period of 30 days or more'' and inserting ''at any time''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

Subtitle D—Prevention of Base Erosion

SEC. 4301. CURRENT YEAR INCLUSION BY UNITED STATES SHAREHOLDERS WITH FOREIGN HIGH RETURNS.

(a) IN GENERAL.—Subpart F of part III of subchapter N of chapter 1 is amended by inserting after section 951 the following new section:

"SEC. 951A. FOREIGN HIGH RETURN AMOUNT INCLUDED IN GROSS INCOME OF UNITED STATES SHAREHOLDERS.

''(a) IN GENERAL.—Each person who is a United States shareholder of any controlled foreign corporation for any taxable year of such United States shareholder shall include in gross income for such taxable year 50 percent of such shareholder's foreign high return amount for such taxable year.

''(b) FOREIGN HIGH RETURN AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The term 'foreign high return amount' means, with respect to any United States shareholder for any taxable year of such United States shareholder, the excess (if any) of—

''(A) such shareholder's net CFC tested income for such taxable year, over

''(B) the excess (if any) of—

''(i) the applicable percentage of the aggregate of such shareholder's pro rata share of the qualified business asset investment of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year (determined for each taxable year of each such controlled foreign corporation which ends in or with such taxable year of such United States shareholder), over

''(ii) the amount of interest expense taken into account under subsection (c)(2)(A)(ii) in determining the shareholder's net CFC tested income for the taxable year.

''(2) APPLICABLE PERCENTAGE.—The term 'applicable percentage' means, with respect to any taxable year, the Federal short-term rate (determined under section 1274(d) for the month in which or with which such taxable year ends) plus 7 percentage points.

''(c) NET CFC TESTED INCOME.—For purposes of this section—

''(1) IN GENERAL.—The term 'net CFC tested income' means, with respect to any United States shareholder for any taxable year of such United States shareholder, the excess (if any) of—

''(A) the aggregate of such shareholder's pro rata share of the tested income of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder (determined for each taxable year of such controlled foreign corporation which ends in or with such taxable year of such United States shareholder), over

''(B) the aggregate of such shareholder's pro rata share of the tested loss of each controlled foreign corporation with respect to which such shareholder is a United States shareholder for such taxable year of such United States shareholder (determined for each taxable year of such controlled foreign corporation which ends in or with such taxable year of such United States shareholder).

''(2) TESTED INCOME; TESTED LOSS.—For purposes of this section—

''(A) TESTED INCOME.—The term 'tested income' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of—

''(i) the gross income of such corporation determined without regard to—

''(I) any item of income which is effectively connected with the conduct by such corporation of a trade or business within the United States if subject to tax under this chapter,

''(II) any gross income taken into account in determining the subpart F income of such corporation,

''(III) except as otherwise provided by the Secretary, any amount excluded from the foreign personal holding company income (as defined in section 954) of such corporation by reason of section 954(c)(6) but only to the extent that any deduction allowable for the payment or accrual of such amount does not result in a reduction in the foreign high return amount of any United States shareholder (determined without regard to this subclause),

''(IV) any gross income excluded from the foreign personal holding company income (as defined in section 954) of such corporation by reason of subsection (c)(2)(C), (h), or (i) of section 954,

''(V) any gross income excluded from the insurance income (as defined in section 953) of such corporation by reason of section 953(a)(2),

''(VI) any gross income excluded from foreign base company income (as defined in section 954) or insurance income (as defined in section 953) of such corporation by reason of section 954(b)(4),

''(VII) any dividend received from a related person (as defined in section 954(d)(3)), and

''(VIII) any commodities gross income of such corporation, over

''(ii) the deductions (including taxes) properly allocable to such gross income under rules similar to the rules of section 954(b)(5) (or which would be so properly allocable if such corporation had such gross income).

''(B) TESTED LOSS.—The term 'tested loss' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the excess (if any) of the amount described in subparagraph (A)(ii) over the amount described in subparagraph (A)(i).

''(d) QUALIFIED BUSINESS ASSET INVESTMENT.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified business asset investment' means, with respect to any controlled foreign corporation for any taxable year of such controlled foreign corporation, the aggregate of the corporation's adjusted bases (determined as of the close of such taxable year and after any adjustments with respect to such taxable year) in specified tangible property—

''(A) used in a trade or business of the corporation, and

''(B) of a type with respect to which a deduction is allowable under section 168.

''(2) SPECIFIED TANGIBLE PROPERTY.—The term 'specified tangible property' means any tangible property to the extent such property is used in the production of tested income or tested loss.

''(3) PARTNERSHIP PROPERTY.—For purposes of this subsection, if a controlled foreign corporation holds an interest in a partnership at the close of such taxable year of the controlled foreign corporation, such controlled foreign corporation shall take into account under paragraph (1) the controlled foreign corporation's distributive share of the aggregate of the partnership's adjusted bases (determined as of such date in the hands of the partnership) in tangible property held by such partnership to the extent such property—

''(A) is used in the trade or business of the partnership,

''(B) is of a type with respect to which a deduction is allowable under section 168, and

''(C) is used in the production of tested income or tested loss (determined with respect to such controlled foreign corporation's distributive share of income or loss with respect to such property).

For purposes of this paragraph, the controlled foreign corporation's distributive share of the adjusted basis of any property shall be the controlled foreign corporation's distributive share of income and loss with respect to such property.

''(4) DETERMINATION OF ADJUSTED BASIS.—For purposes of this subsection, the adjusted basis in any property shall be determined without regard to any provision of this title (or any other provision of law) which is enacted after the date of the enactment of this section.

''(5) REGULATIONS.—The Secretary shall issue such regulations or other guidance as the Secretary determines appropriate to prevent the avoidance of the purposes of this subsection, including regulations or other guidance which provide for the treatment of property if—

''(A) such property is transferred, or held, temporarily, or

''(B) the avoidance of the purposes of this paragraph is a factor in the transfer or holding of such property.

''(e) COMMODITIES GROSS INCOME.—For purposes of this section—

''(1) COMMODITIES GROSS INCOME.—The term 'commodities gross income' means, with respect to any corporation—

''(A) gross income of such corporation from the disposition of commodities which are produced or extracted by such corporation (or a partnership in which such corporation is a partner), and

''(B) gross income of such corporation from the disposition of property which gives rise to income described in subparagraph (A).

''(2) COMMODITY.—The term 'commodity' means any commodity described in section 475(e)(2)(A) or section 475(e)(2)(D) (determined without regard to clause (i) thereof and by substituting 'a commodity described in subparagraph (A)' for 'such a commodity' in clause (ii) thereof).

''(f) TAXABLE YEARS FOR WHICH PERSONS ARE TREATED AS UNITED STATES SHAREHOLDERS OF CONTROLLED FOREIGN CORPORATIONS.—For purposes of this section—

''(1) IN GENERAL.—A United States shareholder of a controlled foreign corporation shall be treated as a United States shareholder of such controlled foreign corporation for any taxable year of such United States shareholder if—

''(A) a taxable year of such controlled foreign corporation ends in or with such taxable year of such person, and

''(B) such person owns (within the meaning of section 958(a)) stock in such controlled foreign corporation on the last day, in such taxable year of such foreign corporation, on which the foreign corporation is a controlled foreign corporation.

''(2) TREATMENT AS A CONTROLLED FOREIGN CORPORATION.—Except for purposes of paragraph (1)(B) and the application of section 951(a)(2) to this section pursuant to subsection (g), a foreign corporation shall be treated as a controlled foreign corporation for any taxable year of such foreign corporation if such foreign corporation is a controlled foreign corporation at any time during such taxable year.

''(g) DETERMINATION OF PRO RATA SHARE.—For purposes of this section, pro rata shares shall be determined under the rules of section 951(a)(2) in the same manner as such section applies to subpart F income.

''(h) COORDINATION WITH SUBPART F.—

''(1) TREATMENT AS SUBPART F INCOME FOR CERTAIN PURPOSES.—Except as otherwise provided by the Secretary any foreign high return amount included in gross income under subsection (a) shall be treated in the same manner as an amount included under section 951(a)(1)(A) for purposes of applying sections 168(h)(2)(B), 535(b)(10), 851(b), 904(h)(1), 959, 961, 962, 993(a)(1)(E), 996(f)(1), 1248(b)(1), 1248(d)(1), 6501(e)(1)(C), 6654(d)(2)(D), and 6655(e)(4).

''(2) ENTIRE FOREIGN HIGH RETURN AMOUNT TAKEN INTO ACCOUNT FOR PURPOSES OF CERTAIN SECTIONS.—For purposes of applying paragraph (1) with respect to sections 168(h)(2)(B), 851(b), 959, 961, 962, 1248(b)(1), and 1248(d)(1), the foreign high return amount included in gross income under subsection (a) shall be determined by substituting '100 percent' for '50 percent' in such subsection.

''(3) ALLOCATION OF FOREIGN HIGH RETURN AMOUNT TO CONTROLLED FOREIGN CORPORATIONS.—For purposes of the sections referred to in paragraph (1), with respect to any controlled foreign corporation any pro rata amount from which is taken into account in determining the

foreign high return amount included in gross income of a United States shareholder under subsection (a), the portion of such foreign high return amount which is treated as being with respect to such controlled foreign corporation is—

''(A) in the case of a controlled foreign corporation with tested loss, zero, and

''(B) in the case of a controlled foreign corporation with tested income, the portion of such foreign high return amount which bears the same ratio to such foreign high return amount as—

''(i) such United States shareholder's pro rata amount of the tested income of such controlled foreign corporation, bears to

''(ii) the aggregate amount determined under subsection (c)(1)(A) with respect to such United States shareholder.

''(4) COORDINATION WITH SUBPART F TO DENY DOUBLE BENEFIT OF LOSSES.—In the case of any United States shareholder of any controlled foreign corporation, the amount included in gross income under section 951(a)(1)(A) shall be determined by increasing the earnings and profits of such controlled foreign corporation (solely for purposes of determining such amount) by an amount that bears the same ratio (not greater than 1) to such shareholder's pro rata share of the tested loss of such controlled foreign corporation as—

''(A) the aggregate amount determined under subsection (c)(1)(A) with respect to such shareholder, bears to

''(B) the aggregate amount determined under subsection (c)(1)(B) with respect to such shareholder.''.

(b) FOREIGN TAX CREDIT.—

(1) APPLICATION OF DEEMED PAID FOREIGN TAX CREDIT.—Section 960, as amended by the preceding provisions of this Act, is amended by redesignating subsections (d) and (e) as subsections (e) and (f), respectively, and by inserting after subsection (c) the following new subsection:

''(d) DEEMED PAID CREDIT FOR TAXES PROPERLY ATTRIBUTABLE TO TESTED INCOME.—

''(1) IN GENERAL.—For purposes of this subpart, if any amount is includible in the gross income of a domestic corporation under section 951A, such domestic corporation shall be deemed to have paid foreign income taxes equal to 80 percent of—

''(A) such domestic corporation's foreign high return percentage, multiplied by

''(B) the aggregate tested foreign income taxes paid or accrued by controlled foreign corporations with respect to which such domestic corporation is a United States shareholder.

''(2) FOREIGN HIGH RETURN PERCENTAGE.—For purposes of paragraph (1), the term 'foreign high return percentage' means, with respect to any domestic corporation, the ratio (expressed as a percentage) of—

''(A) such corporation's foreign high return amount (as defined in section 951A(b)), divided by

''(B) the aggregate amount determined under section 951A(c)(1)(A) with respect to such corporation.

''(3) TESTED FOREIGN INCOME TAXES.—For purposes of paragraph (1), the term 'tested foreign income taxes' means, with respect to any domestic corporation which is a United States shareholder of a controlled foreign corporation, the foreign income taxes paid or accrued by such foreign corporation which are properly attributable to gross income described in section 951A(c)(2)(A)(i).''.

(2) APPLICATION OF FOREIGN TAX CREDIT LIMITATION.—

(A) SEPARATE BASKET FOR FOREIGN HIGH RETURN AMOUNT.—Section 904(d)(1) is amended by redesignating subparagraphs (A) and (B) as subparagraphs (B) and (C), respectively, and by inserting before subparagraph (B) (as so redesignated) the following new subparagraph:

''(A) any amount includible in gross income under section 951A,''.

(B) NO CARRYOVER OF EXCESS TAXES.—Section 904(c) is amended by adding at the end the following: ''This subsection shall not apply to taxes paid or accrued with respect to amounts described in subsection (d)(1)(A).''

(3) GROSS UP FOR DEEMED PAID FOREIGN TAX CREDIT.—Section 78, as amended by the preceding provisions of this Act, is amended—

(A) by striking ''any taxable year, an amount'' and inserting ''any taxable year—

''(1) an amount'', and

(B) by striking the period at the end and inserting '', and

''(2) an amount equal to the taxes deemed to be paid by such corporation under section 960(d) for such taxable year (determined by substituting '100 percent' for '80 percent' in such section) shall be treated for purposes of this title (other than sections 959, 960, and 961) as an increase in the foreign high return amount of such domestic corporation under section 951A for such taxable year.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 170(b)(2)(D) is amended by striking ''computed without regard to'' and all that follows and inserting ''computed—

''(i) without regard to—

''(I) this section,

''(II) part VIII (except section 248),

''(III) any net operating loss carryback to the taxable year under section 172,

''(IV) any capital loss carryback to the taxable year under section 1212(a)(1), and

''(ii) by substituting '100 percent' for '50 percent' in section 951A(a).''.

(2) Section 246(b)(1) is amended by—

(A) striking ''and without regard to'' and inserting ''without regard to'', and

(B) by striking the period at the end and inserting '', and by substituting '100 percent' for '50 percent' in section 951A(a).''.

(3) Section 469(i)(3)(F) is amended by striking ''determined without regard to'' and all that follows and inserting ''determined—

''(i) without regard to—

''(I) any amount includible in gross income under section 86,

''(II) the amounts allowable as a deduction under section 219, and

''(III) any passive activity loss or any loss allowable by reason of subsection (c)(7), and

''(ii) by substituting '100 percent' for '50 percent' in section 951A(a).''.

(4) Section 856(c)(2) is amended by striking ''and'' at the end of subparagraph (H), by adding ''and'' at the end of subparagraph (I), and by inserting after subparagraph (I) the following new subparagraph:

''(J) amounts includible in gross income under section 951A(a);''.

(5) Section 856(c)(3)(D) is amended by striking ''dividends or other distributions on, and gain'' and inserting ''dividends, other distributions on, amounts includible in gross income under section 951A(a) with respect to, and gain''.

(6) The table of sections for subpart F of part III of subchapter N of chapter 1 is amended by inserting after the item relating to section 951 the following new item:

''Sec. 951A. Foreign high return amount included in gross income of United States shareholders.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2017, and to taxable years of United States shareholders in which or with which such taxable years of foreign corporations end.

SEC. 4302. LIMITATION ON DEDUCTION OF INTEREST BY DOMESTIC CORPORATIONS WHICH ARE MEMBERS OF AN INTERNATIONAL FINANCIAL REPORTING GROUP.

(a) IN GENERAL.—Section 163 is amended by redesignating subsection (n) as subsection (p) and by inserting after subsection (m) the following new subsection:

''(n) LIMITATION ON DEDUCTION OF INTEREST BY DOMESTIC CORPORATIONS IN INTERNATIONAL FINANCIAL REPORTING GROUPS.—

''(1) IN GENERAL.—In the case of any domestic corporation which is a member of any international financial reporting group, the deduction under this chapter for interest paid or accrued during the taxable year shall not exceed the sum of—

''(A) the allowable percentage of 110 percent of the excess (if any) of —

''(i) the amount of such interest so paid or accrued, over

''(ii) the amount described in subparagraph (B), plus

''(B) the amount of interest includible in gross income of such corporation for such taxable year.

''(2) INTERNATIONAL FINANCIAL REPORTING GROUP.—

''(A) For purposes of this subsection, the term 'international financial reporting group' means, with respect to any reporting year, any group of entities which—

''(i) includes—

''(I) at least one foreign corporation engaged in a trade or business within the United States, or

''(II) at least one domestic corporation and one foreign corporation,

''(ii) prepares consolidated financial statements with respect to such year, and

''(iii) reports in such statements average annual gross receipts (determined in the aggregate with respect to all entities which are part of such group) for the 3-reporting-year period ending with such reporting year in excess of $100,000,000.

''(B) RULES RELATING TO DETERMINATION OF AVERAGE GROSS RECEIPTS.—For purposes of subparagraph (A)(iii), rules similar to the rules of section 448(c)(3) shall apply.

''(3) ALLOWABLE PERCENTAGE.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'allowable percentage' means, with respect to any domestic corporation for any taxable year, the ratio (expressed as a percentage and not greater than 100 percent) of—

''(i) such corporation's allocable share of the international financial reporting group's reported net interest expense for the reporting year of such group which ends in or with such taxable year of such corporation, over

''(ii) such corporation's reported net interest expense for such reporting year of such group.

''(B) REPORTED NET INTEREST EXPENSE.—The term 'reported net interest expense' means—

''(i) with respect to any international financial reporting group for any reporting year, the excess of—

''(I) the aggregate amount of interest expense reported in such group's consolidated financial statements for such taxable year, over

''(II) the aggregate amount of interest income reported in such group's consolidated financial statements for such taxable year, and

''(ii) with respect to any domestic corporation for any reporting year, the excess of—

''(I) the amount of interest expense of such corporation reported in the books and records of the international financial reporting group which are used in preparing such group's consolidated financial statements for such taxable year, over

''(II) the amount of interest income of such corporation reported in such books and records.

''(C) ALLOCABLE SHARE OF REPORTED NET INTEREST EXPENSE.—With respect to any domestic corporation which is a member of any international financial reporting group, such corporation's allocable share of such group's reported net interest expense for any reporting year is the portion of such expense which bears the same ratio to such expense as—

''(i) the EBITDA of such corporation for such reporting year, bears to

''(ii) the EBITDA of such group for such reporting year.

''(D) EBITDA.—

''(i) IN GENERAL.—The term 'EBITDA' means, with respect to any reporting year, earnings before interest, taxes, depreciation, and amortization—

''(I) as determined in the international financial reporting group's consolidated financial statements for such year, or

''(II) for purposes of subparagraph (A)(i), as determined in the books and records of the international financial reporting group which are used in preparing such statements if not determined in such statements.

''(ii) TREATMENT OF DISREGARDED ENTITIES.—The EBITDA of any domestic corporation shall not fail to include the EBITDA of any entity which is disregarded for purposes of this chapter.

''(iii) TREATMENT OF INTRA-GROUP DISTRIBUTIONS.—The EBITDA of any domestic corporation shall be determined without regard to any distribution received by such corporation from any other member of the international financial reporting group.

''(E) SPECIAL RULES FOR NON-POSITIVE EBITDA.—

''(i) NON-POSITIVE GROUP EBITDA.—In the case of any international financial reporting group the EBITDA of which is zero or less, paragraph (1) shall not apply to any member of such group the EBITDA of which is above zero.

''(ii) NON-POSITIVE ENTITY EBITDA.—In the case of any group member the EBITDA of which is zero or less, paragraph (1) shall be applied without regard to subparagraph (A) thereof.

''(4) CONSOLIDATED FINANCIAL STATEMENT.—For purposes of this subsection, the term 'consolidated financial statement' means any consolidated financial statement described in paragraph (2)(A)(ii) if such statement is—

''(A) a financial statement which is certified as being prepared in accordance with generally accepted accounting principles, international financial reporting standards, or any other comparable method of accounting identified by the Secretary, and which is—

''(i) a 10-K (or successor form), or annual statement to shareholders, required to be filed with the United States Securities and Exchange Commission,

''(ii) an audited financial statement which is used for—

''(I) credit purposes,

''(II) reporting to shareholders, partners, or other proprietors, or to beneficiaries, or

''(III) any other substantial nontax purpose,

but only if there is no statement described in clause (i), or

''(iii) filed with any other Federal or State agency for nontax purposes, but only if there is no statement described in clause (i) or (ii), or

''(B) a financial statement which—

''(i) is used for a purpose described in subclause (I), (II), or (III) of subparagraph (A)(ii), or

''(ii) filed with any regulatory or governmental body (whether domestic or foreign) specified by the Secretary,

but only if there is no statement described in subparagraph (A).

''(5) REPORTING YEAR.—For purposes of this subsection, the term 'reporting year' means, with respect to any international financial reporting group, the year with respect to which the consolidated financial statements are prepared.

''(6) APPLICATION TO CERTAIN ENTITIES.—

''(A) PARTNERSHIPS.—Except as otherwise provided by the Secretary in paragraph (7), this subsection shall apply to any partnership which is a member of any international financial reporting group under rules similar to the rules of section 163(j)(3).

''(B) FOREIGN CORPORATIONS ENGAGED IN TRADE OR BUSINESS WITHIN THE UNITED STATES.—Except as otherwise provided by the Secretary in paragraph (8), any deduction for interest paid or accrued by a foreign corporation engaged in a trade or business within the United States shall be limited in a manner consistent with the principles of this subsection.

''(C) CONSOLIDATED GROUPS.—For purposes of this subsection, the members of any group that file (or are required to file) a consolidated return with respect to the tax imposed by chapter 1 for a taxable year shall be treated as a single corporation.

''(7) REGULATIONS.—The Secretary may issue such regulations or other guidance as are necessary or appropriate to carry out the purposes of this subsection.''.

(b) CARRYFORWARD OF DISALLOWED INTEREST.—

(1) IN GENERAL.—Section 163(o) is amended to read as follows:

''(o) CARRYFORWARD OF CERTAIN DISALLOWED INTEREST.—The amount of any interest not allowed as a deduction for any taxable year by reason of subsection (j)(1) or (n)(1) (whichever imposes the lower limitation with respect to such taxable year) shall be treated as interest (and as business interest for purposes of subsection (j)(1)) paid or accrued in the succeeding taxable year. Interest paid or accrued in any taxable year (determined without regard to the preceding sentence) shall not be carried past the 5th taxable year following such taxable year, determined by treating interest as allowed as a deduction on a first-in, first-out basis.''.

(2) TREATMENT OF CARRYFORWARD OF DISALLOWED INTEREST IN CERTAIN CORPORATE ACQUISITIONS.—For rules related to the carryforward of disallowed interest in certain corporate acquisitions, see the amendments made by section 3301(c).

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

SEC. 4303. EXCISE TAX ON CERTAIN PAYMENTS FROM DOMESTIC CORPORATIONS TO RELATED FOREIGN CORPORATIONS; ELECTION TO TREAT SUCH PAYMENTS AS EFFECTIVELY CONNECTED INCOME.

(a) EXCISE TAX ON CERTAIN AMOUNTS FROM DOMESTIC CORPORATIONS TO FOREIGN AFFILIATES.—

(1) IN GENERAL.—Chapter 36 is amended by adding at the end the following new subchapter:

"Subchapter E—Tax on Certain Amounts to Foreign Affiliates

"SEC. 4491. IMPOSITION OF TAX ON CERTAIN AMOUNTS FROM DOMESTIC CORPORATIONS TO FOREIGN AFFILIATES.

''(a) IN GENERAL.—There is hereby imposed on each specified amount paid or incurred by a domestic corporation to a foreign corporation which is a member of the same international financial reporting group as such domestic corporation a tax equal to the highest rate of tax in effect under section 11 multiplied by such amount.

''(b) BY WHOM PAID.—The tax imposed by subsection (a) shall be paid by the domestic corporation described in such subsection.

''(c) EXCEPTION FOR EFFECTIVELY CONNECTED INCOME.—Subsection (a) shall not apply to so much of any specified amount as is effectively connected with the conduct of a trade or business within the United States if such amount is subject to tax under chapter 1. In the case of any amount which is treated as effectively connected with the conduct of a trade or business within the United States by reason of section 882(g), the preceding sentence shall apply to such amount only if the domestic corporation provides to the Secretary (at such time and in such form and manner as the Secretary may provide) a copy of the election made under section 882(g) by the foreign corporation referred to in subsection (a).

''(d) DEFINITIONS AND SPECIAL RULES.—Terms used in this section that are also used in section 882(g) shall have the same meaning as when used in such section and rules similar to the rules of paragraphs (5) and (6) of such section shall apply for purposes of this section.''.

(2) DENIAL OF DEDUCTION FOR TAX IMPOSED.—Section 275(a) is amended by inserting after paragraph (6) the following new paragraph:

''(7) Taxes imposed by section 4491.''.

(3) CLERICAL AMENDMENT.—The table of subchapters for chapter 36 is amended by adding at the end the following new item:

(b) ELECTION TO TREAT CERTAIN PAYMENTS FROM DOMESTIC CORPORATIONS TO RELATED FOREIGN CORPORATIONS AS EFFECTIVELY CONNECTED INCOME.—Section 882 is amended by adding at the end the following new subsection:

''(g) ELECTION TO TREAT CERTAIN PAYMENTS FROM DOMESTIC CORPORATIONS TO RELATED FOREIGN CORPORATIONS AS EFFECTIVELY CONNECTED INCOME.—

''(1) IN GENERAL.—In the case of any specified amount paid or incurred by a domestic corporation to a foreign corporation which is a member of the same international financial reporting group as such domestic corporation and which has elected to be subject to the provisions of this subsection—

''(A) such amount shall be taken into account (other than for purposes of sections 245, 245A, and 881) in the taxable year of such foreign corporation during which such amount is paid or incurred as if—

''(i) such foreign corporation were engaged in a trade or business within the United States,

''(ii) such foreign corporation had a permanent establishment in the United States during the taxable year, and

''(iii) such payment were effectively connected with the conduct of a trade or business within the United States and were attributable to such permanent establishment,

''(B) for purposes of subsection (c)(1)(A), no deduction shall be allowed with respect to such amount and such subsection shall be applied without regard to such amount, and

''(C) the foreign corporation shall be allowed a deduction (for the taxable year referred to in subparagraph (A)) equal to the deemed expenses with respect to such amount.

''(2) SPECIFIED AMOUNT.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'specified amount' means any amount which is, with respect to the payor, allowable as a deduction or includible in costs of goods sold, inventory, or the basis of a depreciable or amortizable asset.

''(B) EXCEPTIONS.—The term 'specified amount' shall not include—

''(i) interest,

''(ii) any amount paid or incurred for the acquisition of any security described in section 475(c)(2) (determined without regard to the last sentence thereof) or any commodity described in section 475(e)(2),

''(iii) except as provided in subparagraph (C), any amount with respect to which tax is imposed under section 881(a), and

''(iv) in the case of a payor which has elected to use a services cost method for purposes of section 482, any amount paid or incurred for services if such amount is the total services cost with no markup.

''(C) AMOUNTS NOT TREATED AS EFFECTIVELY CONNECTED TO EXTENT OF GROSS-BASIS TAX.—Subparagraph (B)(iii) shall only apply to so much of any specified amount as bears the proportion to such amount as—

''(i) the rate of tax imposed under section 881(a) with respect to such amount, bears to

''(ii) 30 percent.

''(3) DEEMED EXPENSES.—

''(A) IN GENERAL.—The deemed expenses with respect to any specified amount received by a foreign corporation during any reporting year is the amount of expenses such that the net income

ratio of such foreign corporation with respect to such amount (taking into account only such specified amount and such deemed expenses) is equal to the net income ratio of the international financial reporting group determined for such reporting year with respect to the product line to which the specified amount relates.

''(B) NET INCOME RATIO.—For purposes of this paragraph, the term 'net income ratio' means the ratio of—

''(i) net income determined without regard to interest income, interest expense, and income taxes, divided by

''(ii) revenues.

''(C) METHOD OF DETERMINATION.—Amounts described in subparagraph (B) shall be determined with respect to the international financial reporting group on the basis of the consolidated financial statements referred to in paragraph (4)(A)(i) and the books and records of the members of the international financial reporting group which are used in preparing such statements, taking into account only revenues and expenses of the members of such group (other than the members of such group which are (or are treated as) a domestic corporation for purposes of this subsection) derived from, or incurred with respect to—

''(i) persons who are not members of such group, and

''(ii) members of such group which are (or are treated as) a domestic corporation for purposes of this subsection.

''(4) INTERNATIONAL FINANCIAL REPORTING GROUP.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'international financial reporting group' means any group of entities, with respect to any specified amount, if such amount is paid or incurred during a reporting year of such group with respect to which—

''(i) such group prepares consolidated financial statements (within the meaning of section 163(n)(4)) with respect to such year, and

''(ii) the average annual aggregate payment amount of such group for the 3-reporting-year period ending with such reporting year exceeds $100,000,000.

''(B) ANNUAL AGGREGATE PAYMENT AMOUNT.—The term 'annual aggregate payment amount' means, with respect to any reporting year of the group referred to in subparagraph (A)(i), the aggregate specified amounts to which paragraph (1) applies (or would apply if such group were an international financial reporting group).

''(C) APPLICATION OF CERTAIN RULES.—Rules similar to the rules of subparagraphs (A), (B), and (D) of section 448(c)(3) shall apply for purposes of this paragraph.

''(5) TREATMENT OF PARTNERSHIPS.—Any specified amount paid, incurred, or received by a partnership which is a member of any international financial reporting group (and any amount treated as paid, incurred, or received by a partnership under this paragraph) shall be treated for purposes of this subsection as amounts paid, incurred, or received, respectively, by each partner of such partnership in an amount equal to such partner's distributive share of the items of income, gain, deduction, or loss to which such amounts relate.

''(6) TREATMENT OF AMOUNTS IN CONNECTION WITH UNITED STATES TRADE OR BUSINESS.—Any specified amount paid, incurred, or received by a foreign corporation in connection with the conduct of a trade or business within the United States (other than a trade or business it is deemed to conduct pursuant to this subsection) shall be treated for purposes of this subsection as an amount paid, incurred, or received, respectively, by a domestic corporation. For purposes of the preceding sentence, a foreign corporation shall be deemed to pay, incur, and receive amounts with respect to a trade or business it conducts within the United States (other than a trade or business it is deemed to conduct pursuant to this subsection) to the extent such foreign corporation would be treated as paying, incurring, or receiving such amounts from such trade or business if such trade or business were a domestic corporation.

''(7) JOINT AND SEVERAL LIABILITY OF MEMBERS OF INTERNAL FINANCIAL REPORTING GROUP.—In the case of any underpayment with respect to any taxable year of a foreign corporation which is a member of an international financial accounting group, each domestic corporation which is a member of such group at any time during such taxable year shall be jointly and severally liable for—

''(A) so much of such underpayment as does not exceed the excess (if any) of such underpayment over the amount of such underpayment determined without regard to this subsection, and

''(B) any penalty, addition to tax, or additional amount attributable to the amount described in subparagraph (A).

''(8) FOREIGN TAX CREDIT ALLOWED.—The credit allowed under section 906(a) with respect to amounts taken into account in income under paragraph (1)(A) shall be limited to 80 percent of the amount of taxes paid or accrued and determined without regard to section 906(b)(1).

''(9) ELECTION.—Any election under paragraph (1)—

''(A) shall be made at such time and in such form and manner as the Secretary may provide, and

''(B) shall apply for the taxable year for which made and all subsequent taxable years unless revoked with the consent of the Secretary.

''(10) REGULATIONS.—The Secretary may issue such regulations or other guidance as are necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—

''(A) to provide for the proper determination of product lines, and

''(B) to prevent the avoidance of the purposes of this subsection through the use of conduit transactions or by other means.''.

(c) REPORTING REQUIREMENTS.—

(1) REPORTING BY FOREIGN CORPORATION.—Section 6038C(b) is amended to read as follows:

''(b) REQUIRED INFORMATION.—

''(1) IN GENERAL.—The information described in this subsection is—

''(A) the information described in section 6038A(b), and

''(B) such other information as the Secretary may prescribe by regulations relating to any item not directly connected with a transaction for which information is required under subparagraph (A).

''(2) CERTAIN PAYMENTS FROM RELATED DOMESTIC CORPORATIONS.—

''(A) IN GENERAL.—In the case of any reporting corporation that receives during the taxable year any amount to which section 882(g)(1) applies, the information described in this subsection shall include, with respect to each member of the international financial reporting group from which any such amount is received—

''(i) the name and taxpayer identification number of such member,

''(ii) the aggregate amounts received from such member,

''(iii) the product lines to which such amounts relate, the aggregate amounts relating to each such product line, and the net income ratio for each such product line (determined under section 882(g)(3)(B) with respect to the international financial reporting group), and

''(iv) a summary of any changes in financial accounting methods that affect the computation of any net income ratio described in clause (iii).

''(B) DEFINITIONS AND SPECIAL RULES.—Terms used in this paragraph that are also used in section 882(g) shall have the same meaning as when used in such section and rules similar to the rules of paragraphs (5) and (6) of such section shall apply for purposes of this paragraph.''.

(2) REPORTING BY DOMESTIC GROUP MEMBERS.—

(A) IN GENERAL .—Subpart A of part III of subchapter A of chapter 61 is amended by inserting after section 6038D the following new section:

''SEC. 6038E. INFORMATION WITH RESPECT TO CERTAIN PAYMENTS FROM DOMESTIC CORPORATIONS TO RELATED FOREIGN CORPORATIONS.

''(a) IN GENERAL.—In the case of any domestic corporation which pays or incurs any amount to which section 882(g)(1) applies, such person shall—

''(1) make a return according to the forms and regulations prescribed the Secretary, setting forth the information described in subsection (b), and

''(2) maintain (at the location, in the manner, and to the extent prescribed in regulations) such records as may be appropriate to determine liability for tax pursuant to paragraphs (1) and (7) of section 882(g).

''(b) REQUIRED INFORMATION.—The information described in this subsection is—

''(1) the name and taxpayer identification number of the common parent of the international financial reporting group in which such domestic corporation is a member, and

''(2) with respect to any person who receives an amount described in subsection (a) from such domestic corporation—

''(A) the name and taxpayer identification number of such person,

''(B) the aggregate amounts received by such person,

''(C) the product lines to which such amounts relate, the aggregate amounts relating to each such product line, and the net income ratio for each such product line (determined under section 882(g)(3)(B) with respect to the international financial reporting group), and

''(D) a summary of any changes in financial accounting methods that affect the computation of any net income ratios described in subparagraph (C).

''(c) DEFINITIONS AND SPECIAL RULES.—Terms used in this paragraph that are also used in section 882(g) shall have the same meaning as when used in such section and rules similar to the rules of paragraphs (5) and (6) of such section shall apply for purposes of this paragraph.''.

(B) CLERICAL AMENDMENT.—The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6038D the following new item:

''Sec. 6038E. Information with respect to certain payments from domestic corporations to related foreign corporations.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2018.

Subtitle E—Provisions Related to Possessions of the United States

SEC. 4401. EXTENSION OF DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.

(a) IN GENERAL.—Section 199(d)(8)(C), prior to its repeal by this Act, is amended—

(1) by striking ''first 11 taxable years'' and inserting ''first 12 taxable years'', and

(2) by striking ''January 1, 2017'' and inserting ''January 1, 2018''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

SEC. 4402. EXTENSION OF TEMPORARY INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE VIRGIN ISLANDS.

(a) IN GENERAL.—Section 7652(f)(1) is amended by striking ''January 1, 2017'' and inserting ''January 1, 2023''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2016.

SEC. 4403. EXTENSION OF AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.

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

(1) by striking ''January 1, 2017'' each place it appears and inserting ''January 1, 2023'',

(2) by striking ''first 11 taxable years'' in paragraph (1) and inserting ''first 17 taxable years'', and

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

(b) TREATMENT OF CERTAIN REFERENCES.—Section 119(e) of division A of the Tax Relief and Health Care Act of 2006 is amended by adding at the end the following: ''References in this subsection to section 199 of the Internal Revenue Code of 1986 shall be treated as references to such section as in effect before its repeal by the Tax Cuts and Jobs Act.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

Subtitle F—Other International Reforms

SEC. 4501. RESTRICTION ON INSURANCE BUSINESS EXCEPTION TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.

(a) IN GENERAL.—Section 1297(b)(2)(B) is amended to read as follows:

''(B) derived in the active conduct of an insurance business by a qualifying insurance corporation (as defined in subsection (f)),''.

(b) QUALIFYING INSURANCE CORPORATION DEFINED.—Section 1297 is amended by adding at the end the following new subsection:

''(f) QUALIFYING INSURANCE CORPORATION.—For purposes of subsection (b)(2)(B)—

''(1) IN GENERAL.—The term 'qualifying insurance corporation' means, with respect to any taxable year, a foreign corporation—

''(A) which would be subject to tax under subchapter L if such corporation were a domestic corporation, and

''(B) the applicable insurance liabilities of which constitute more than 25 percent of its total assets, determined on the basis of such liabilities and assets as reported on the corporation's applicable financial statement for the last year ending with or within the taxable year.

''(2) ALTERNATIVE FACTS AND CIRCUMSTANCES TEST FOR CERTAIN CORPORATIONS.—If a corporation fails to qualify as a qualified insurance corporation under paragraph (1) solely because the percentage determined under paragraph (1)(B) is 25 percent or less, a United States person that owns stock in such corporation may elect to treat such stock as stock of a qualifying insurance corporation if—

''(A) the percentage so determined for the corporation is at least 10 percent, and

''(B) under regulations provided by the Secretary, based on the applicable facts and circumstances—

''(i) the corporation is predominantly engaged in an insurance business, and

''(ii) such failure is due solely to runoff-related or rating-related circumstances involving such insurance business.

''(3) APPLICABLE INSURANCE LIABILITIES.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'applicable insurance liabilities' means, with respect to any life or property and casualty insurance business—

''(i) loss and loss adjustment expenses, and

''(ii) reserves (other than deficiency, contingency, or unearned premium reserves) for life and health insurance risks and life and health insurance claims with respect to contracts providing coverage for mortality or morbidity risks.

''(B) LIMITATIONS ON AMOUNT OF LIABILITIES.—Any amount determined under clause (i) or (ii) of subparagraph (A) shall not exceed the lesser of such amount—

''(i) as reported to the applicable insurance regulatory body in the applicable financial statement described in paragraph (4)(A) (or, if less, the amount required by applicable law or regulation), or

''(ii) as determined under regulations prescribed by the Secretary.

''(4) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE FINANCIAL STATEMENT.—The term 'applicable financial statement' means a statement for financial reporting purposes which—

''(i) is made on the basis of generally accepted accounting principles,

''(ii) is made on the basis of international financial reporting standards, but only if there is no statement that meets the requirement of clause (i), or

''(iii) except as otherwise provided by the Secretary in regulations, is the annual statement which is required to be filed with the applicable insurance regulatory body, but only if there is no statement which meets the requirements of clause (i) or (ii).

''(B) APPLICABLE INSURANCE REGULATORY BODY.—The term 'applicable insurance regulatory body' means, with respect to any insurance business, the entity established by law to license, authorize, or regulate such business and to which the statement described in subparagraph (A) is provided.''.

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

TITLE V—EXEMPT ORGANIZATIONS

Subtitle A—Unrelated Business Income Tax

SEC. 5001. CLARIFICATION OF UNRELATED BUSINESS INCOME TAX TREATMENT OF ENTITIES TREATED AS EXEMPT FROM TAXATION UNDER SECTION 501(a).

(a) IN GENERAL.—Section 511 is amended by adding at the end the following new subsection:

''(d) ORGANIZATIONS AND TRUSTS EXEMPT FROM TAXATION NOT SOLELY BY REASON OF SECTION 501(a).—For purposes of subsections (a)(2) and (b)(2), an organization or trust shall not fail to be treated as exempt from taxation under this subtitle by reason of section 501(a) solely because such organization is also so exempt, or excludes amounts from gross income, by reason of any other provision of this title.''.

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

SEC. 5002. EXCLUSION OF RESEARCH INCOME LIMITED TO PUBLICLY AVAILABLE RESEARCH.

(a) IN GENERAL.—Section 512(b)(9) is amended by striking ''from research'' and inserting ''from such research''.

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

Subtitle B—Excise Taxes

SEC. 5101. SIMPLIFICATION OF EXCISE TAX ON PRIVATE FOUNDATION INVESTMENT INCOME.

(a) RATE REDUCTION.—Section 4940(a) is amended by striking ''2 percent'' and inserting ''1.4 percent''.

(b) REPEAL OF SPECIAL RULES FOR CERTAIN PRIVATE FOUNDATIONS.—Section 4940 is amended by striking subsection (e).

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

SEC. 5102. PRIVATE OPERATING FOUNDATION REQUIREMENTS RELATING TO OPERATION OF ART MUSEUM.

(a) IN GENERAL.—Section 4942(j) is amended by adding at the end the following new paragraph:

''(6) ORGANIZATION OPERATING ART MUSEUM.—For purposes of this section, the term 'operating foundation' shall not include an organization which operates an art museum as a substantial activity unless such museum is open during normal business hours to the public for at least 1,000 hours during the taxable year.''.

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

SEC. 5103. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.

(a) IN GENERAL.—Chapter 42 is amended by adding at the end the following new subchapter:

''Subchapter H—Excise Tax Based on Investment Income of Private Colleges and Universities

''SEC. 4969. EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES.

''(a) TAX IMPOSED.—There is hereby imposed on each applicable educational institution for the taxable year a tax equal to 1.4 percent of the net investment income of such institution for the taxable year.

''(b) APPLICABLE EDUCATIONAL INSTITUTION.—For purposes of this subchapter—

''(1) IN GENERAL.—The term 'applicable educational institution' means an eligible educational institution (as defined in section 25A(e)(3))—

''(A) which has at least 500 students during the preceding taxable year,

''(B) which is not described in the first sentence of section 511(a)(2)(B), and

''(C) the aggregate fair market value of the assets of which at the end of the preceding taxable year (other than those assets which are used directly in carrying out the institution's exempt purpose) is at least $250,000 per student of the institution.

''(2) STUDENTS.—For purposes of paragraph (1), the number 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 INVESTMENT INCOME.—For purposes of this section, net investment income shall be determined under rules similar to the rules of section 4940(c).

''(d) ASSETS AND NET INVESTMENT INCOME OF RELATED ORGANIZATIONS.—

''(1) IN GENERAL.—For purposes of subsections (b)(1)(C) and (c), the assets and net investment income of any related organization shall be treated as the assets and net investment income of the eligible educational institution.

''(2) RELATED ORGANIZATION.—For purposes of this subsection, the term 'related organization' means, with respect to an eligible educational institution, any organization which—

''(A) controls, or is controlled by, such institution,

''(B) is controlled by one or more persons that control such institution, or

''(C) is a supported organization (as defined in section 509(f)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.''.

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 42 is amended by adding at the end the following new item:

''SUBCHAPTER H—EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES''.

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

SEC. 5104. EXCEPTION FROM PRIVATE FOUNDATION EXCESS BUSINESS HOLDING TAX FOR INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS HOLDINGS.

(a) IN GENERAL.—Section 4943 is amended by adding at the end the following new subsection:

''(g) EXCEPTION FOR CERTAIN HOLDINGS LIMITED TO INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS.—

''(1) IN GENERAL.—Subsection (a) shall not apply with respect to the holdings of a private foundation in any business enterprise which for the taxable year meets—

''(A) the ownership requirements of paragraph (2),

''(B) the all profits to charity distribution requirement of paragraph (3), and

''(C) the independent operation requirements of paragraph (4).

''(2) OWNERSHIP.—The ownership requirements of this paragraph are met if—

''(A) 100 percent of the voting stock in the business enterprise is held by the private foundation at all times during the taxable year, and

''(B) all the private foundation's ownership interests in the business enterprise were acquired not by purchase.

''(3) ALL PROFITS TO CHARITY.—

''(A) IN GENERAL.—The all profits to charity distribution requirement of this paragraph is met if the business enterprise, not later than 120 days after the close of the taxable year, distributes an amount equal to its net operating income for such taxable year to the private foundation.

''(B) NET OPERATING INCOME.—For purposes of this paragraph, the net operating income of any business enterprise for any taxable year is an amount equal to the gross income of the business enterprise for the taxable year, reduced by the sum of—

''(i) the deductions allowed by chapter 1 for the taxable year which are directly connected with the production of such income,

''(ii) the tax imposed by chapter 1 on the business enterprise for the taxable year, and

''(iii) an amount for a reasonable reserve for working capital and other business needs of the business enterprise.

''(4) INDEPENDENT OPERATION.—The independent operation requirements of this paragraph are met if, at all times during the taxable year—

''(A) no substantial contributor (as defined in section 4958(c)(3)(C)) to the private foundation, or family member of such a contributor (determined under section 4958(f)(4)) is a director, officer, trustee, manager, employee, or contractor of the business enterprise (or an individual having powers or responsibilities similar to any of the foregoing),

''(B) at least a majority of the board of directors of the private foundation are not—

''(i) also directors or officers of the business enterprise, or

''(ii) members of the family (determined under section 4958(f)(4)) of a substantial contributor (as defined in section 4958(c)(3)(C)) to the private foundation, and

''(C) there is no loan outstanding from the business enterprise to a substantial contributor (as so defined) to the private foundation or a family member of such contributor (as so determined).

''(5) CERTAIN DEEMED PRIVATE FOUNDATIONS EXCLUDED.—This subsection shall not apply to—

''(A) any fund or organization treated as a private foundation for purposes of this section by reason of subsection (e) or (f),

''(B) any trust described in section 4947(a)(1) (relating to charitable trusts), and

''(C) any trust described in section 4947(a)(2) (relating to split-interest trusts).''.

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

Subtitle C—Requirements for Organizations Exempt From Tax

SEC. 5201. 501(c)(3) ORGANIZATIONS PERMITTED TO MAKE STATEMENTS RELATING TO POLITICAL CAMPAIGN IN ORDINARY COURSE OF ACTIVITIES.

(a) IN GENERAL.—Section 501 is amended by adding at the end the following new subsection:

''(s) SPECIAL RULE RELATING TO POLITICAL CAMPAIGN STATEMENTS OF ORGANIZATIONS DESCRIBED IN SUBSECTION (c)(3).—

''(1) IN GENERAL.—For purposes of subsection (c)(3) and sections 170(c)(2), 2055, 2106, 2522, and 4955, an organization shall not fail to be treated as organized and operated exclusively for a purpose described in subsection (c)(3), nor shall it be deemed to have participated in, or intervened in any political campaign on behalf of (or in opposition to) any candidate for public office, solely because of the content of any statement which—

''(A) is made in the ordinary course of the organization's regular and customary activities in carrying out its exempt purpose, and

''(B) results in the organization incurring not more than de minimis incremental expenses.

''(2) TERMINATION.—Paragraph (1) shall not apply to taxable years beginning after December 31, 2023.''.

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

SEC. 5202. ADDITIONAL REPORTING REQUIREMENTS FOR DONOR ADVISED FUND SPONSORING ORGANIZATIONS.

(a) IN GENERAL.—Section 6033(k) is amended by striking ''and'' at the end of paragraph (2), by striking the period at the end of paragraph (3), and by adding at the end the following new paragraphs:

''(4) indicate the average amount of grants made from such funds during such taxable year (expressed as a percentage of the value of assets held in such funds at the beginning of such taxable year), and

''(5) indicate whether the organization has a policy with respect to donor advised funds (as so defined) for frequency and minimum level of distributions.

Such organization shall include with such return a copy of any policy described in paragraph (5).''.

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

The SPEAKER pro tempore. The bill shall be debatable for 4 hours, equally divided and controlled by the chair and ranking minority member of the Committee on Ways and Means.

The gentleman from Texas (Mr. BRADY) and the gentleman from Massachusetts (Mr. NEAL) each will control 2 hours.

The Chair recognizes the gentleman from Texas.

GENERAL LEAVE

Mr. BRADY of Texas. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and to include extraneous material on H.R. 1, the bill currently under consideration.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BRADY of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, today the full House begins consideration of H.R. 1, the Tax Cuts and Jobs Act, historic tax reform legislation that will revitalize our economy and provide lasting tax relief to Americans of all walks of life.

Over 30 years have gone by since the last overhaul of our Nation's tax system. In that time, our Tax Code has become one of the most complicated, unfair, and uncompetitive in the world. Today it is impacting nearly every aspect of Americans' lives, and not for the better.

The overwhelming complexity of today's system forces American taxpayers to spend billions of hours and billions of dollars every year just filing their taxes. Trillions of dollars in carve-outs and loopholes give favoritism to Washington special interests while hardworking Americans get nothing but frustration.

With some of the highest tax rates in the world for our businesses, we are seeing good-paying American jobs and manufacturing plants move overseas one after the other.

Today, with the Tax Cuts and Jobs Act, we change all of this. With this bill, we have an opportunity to deliver the most transformational tax overhaul in a generation. But make no mistake, this bill is not about us. It is not about Congress. This bill is about—for the first time in decades—providing the American people with a simple and fair tax system, so much so that nine out of ten Americans will be able to file using a simple postcard-style system. It is about finally rewarding hard work, growing jobs and paychecks, and allowing Americans to keep more of their hard-earned money to use on whatever is important to them.

So if you are one of the millions of Americans who is sick of today's Tax Code, you are going to see a remarkable difference. You will see the standard deduction doubled, increasing to protect more of every paycheck from taxes. You will have a larger child tax credit, providing more support as you raise a family and care for your loved ones. More Americans will get help raising their kids.

You will have peace of mind when it comes to life's most important investments because this bill preserves tax benefits to help you afford your home, to pay your property taxes, and put your kids through college.

So if you are a typical middle-income family of four making $59,000 a year, you are going to get a tax cut of nearly $1,200. More than that, you are going to enjoy the benefits of a strong, healthy, and growing American economy. You are going to see more jobs on Main Street.

With this bill, our small businesses will finally have low tax rates and a fair Tax Code that works with them as they grow and create jobs. You are going to see our larger businesses—our iconic American brands and our major manufacturers—win throughout the world and create new, good-paying jobs right here at home because, with this bill, we are going to have one of the most modern and one of the most competitive Tax Codes on the planet. That includes lowering our corporate rate from 35 to 20 percent, which beats many of our international competitors.

Not only are you going to see jobs stop leaving the United States, you are going to see our Nation become a 21st

century magnet for job creation and business investment.

With the Tax Cuts and Jobs Act, the American people will see and help lead the way in launching a new era of Made in America innovation. In the end, the Tax Cuts and Jobs Act is a striking alternative to the broken Tax Code we have today. It represents a bold path forward that will allow us as a country to break out of the slow-growth status quo once and for all.

Mr. Speaker, the American people have waited years—decades—for a fair, simple, and competitive Tax Code. Right now, in this moment, we stand on the doorstep of delivering the most sweeping tax overhaul since President Reagan's reforms in 1986. Like President Reagan back then, President Trump is now putting his full support behind this effort.

Let's pass this historic bill and take another step forward in delivering bold, pro-growth, pro-family tax reform for Americans throughout this Nation.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I am delighted the chairman mentioned President Reagan. But he made it sound as though President Reagan did tax reform on his own. Tax reform in 1986 was done in a bipartisan manner. I guess we just leave out Speaker O'Neill and we just leave out Chairman Rostenkowski and we just leave out Senator Bradley or Congressman Gephardt. The reason that they are left out is because even though it was accomplished in 1986, it started in 1982 when Mr. Gephardt and Mr. Bradley introduced the first tax reform act.

□ 1700

What happened in those intervening years?

The Ways and Means Committee took testimony from 50 witnesses. They held 30 markups and an untold number of hearings.

Contrast that with what we did in the Ways and Means Committee: not one witness, not one hearing, not one opportunity to hear from renowned economists, labor leaders, or individuals who would have great knowledge not just of what happened in 1986, but what could happen in this Chamber. Instead, we are going forward with this ill-considered effort.

This is a missed opportunity. This is a bad deal for millions of Americans in the middle class. The legislation puts the wealthy, the well-connected, and the strong, once again, at the top. Thirty-six million Americans are going to receive a tax increase.

When they talk about tax simplification, take a look at the phase-ins and phase-outs of this measure. That is hardly simplification. It is greater complexity.

Oh, by the way, the corporate rate is made permanent. The individual issues phase out after 5 years.

Consider this: 13 million people will lose their health insurance based on what Republicans are doing in the United States Senate. They are going to lose their healthcare to pay for a tax cut for people at the very top.

Let me just walk you through some of these provisions because I think that they deserve our attention and the magnifying glass of critical analysis.

We are being asked tonight to borrow $2.3 trillion to pay for this tax cut. This is from people who regularly lecture the American electorate on the need for fiscal austerity and balanced budgets.

When Barack Obama was President, the budget should be balanced. When Bill Clinton was President, the budget should be balanced. But in the intervening period of time, apparently, we don't have to balance the budget.

Also, $2.3 trillion is being added to the debt and deficits. We are witnessing what they are attempting to do because they are going to scale back the tax benefit for buying a new home by lowering the cap on mortgage interest deduction to $500,000. That is going to lower home values.

H.R. 1 repeals the new markets tax credit. The historic tax credit that has transformed American cities is being eliminated. They beat up on the municipal bond market.

As a former mayor, I have some knowledge of the municipal bond market.

They are getting rid of the private activity bonds. Years ago, I raised the cap so that we might do more intervention and innovation in terms of rebuilding our airports across the country. Private activity bonds are a key for financing affordable housing. It is going to go by the wayside if they have their way. It is going to have a profound impact on the housing market.

They eliminate several deductions and exclusions that help pay for college education, including a deduction for interest on student loans.

Pay attention to this number. Student debt in America is at $1.3 trillion, and they are taking away the ability of students to deduct that interest on those loans.

They also impose a new tax on universities and colleges.

They repeal the above-the-line deduction for teachers' out-of-pocket expenses. You know, those teachers who, in September, might be short some school supplies and they are good enough to pack the car up and bring it to school? We give them a $250 deduction. They are going to take it away.

They create a health tax, an Alzheimer's tax, by repealing the medical expense deduction. This change basically scraps a family's ability to receive financial relief when dealing with serious medical conditions.

Think of it this way: We celebrate annually the increases in life expectancy in America—80 for a male, 81 for a female. But if we are going to celebrate that, we also have to acknowledge something else: more dementia and more Alzheimer's as people grow older in America. So their decision is: Let's take away the ability of individuals to deduct those expenses.

They also want to write off a very important consideration for the middle class in their ability to deduct real property tax costs up to $10,000.

Contrast this with what these tax cuts do for the wealthy.

H.R. 1 repeals the estate tax, which is paid by a small number of families in America. They are going to repeal it. I guess the slogan becomes: We are rich, and we are not going to take it anymore. That is not a tax on Conrad Hilton; it is a tax on Paris Hilton. That is what we should be considering with the greater efforts on their side to further concentrate wealth.

By the way, there is an issue I have worked on for decades here, successfully, because 27 million middle class families no longer pay the alternative minimum tax. But guess what they are going to do? They are going to eliminate it for 4.5 million of the richest families in America. They are going to take away that payment.

This is a missed opportunity, Mr. Speaker. This could have been done the way Chairman BRADY indicated in 1986: hearings, markups, a genuine effort to find common ground on this.

On our side, I have waited all these years to do this. Tonight and tomorrow, what you are witnessing is that they need a victory. That is what this is about. It is a victory in search of a policy.

Mr. Speaker, I reserve the balance of my time.

Mr. BRADY of Texas. Mr. Speaker, I yield myself 10 seconds.

Mr. Speaker, I will note that, in the district of my good friend from Massachusetts, the average family of four making $87,000 will see a tax cut of $2,032.

Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. ROSKAM), chairman of the Tax Policy Subcommittee and a leader in the tax reform effort.

Mr. ROSKAM. Mr. Speaker, my friend from Massachusetts said this is a missed opportunity. This is no missed opportunity. What we are witnessing is the seizing of an opportunity.

During the debate, our friends on the other side of the aisle, in 25 hours of markup last week, offered amendment after amendment after amendment. I think it was about 25 amendments.

Do you know what every one of the amendments did, Mr. Speaker? It restored the status quo. It put something back in, put another thing back in, defended something else, and so forth. There was no comprehensive offer of an amendment in the nature of a substitute that would have been transformational.

There is no exclusion here. We debated. We are now here, and for the first time since 1986, we are on the cusp of seizing an opportunity and having a transformational moment.

Here is the transformation:

When the Tax Code was last amended 30 years ago—think about it—the internet didn't exist as a commercial enterprise. Yes, it has fully developed, and we have got a Tax Code that was built for yesterday.

The global nature of supply chains were nowhere nearly as intricately interlinked, yet we have got a Tax Code that was built for yesterday.

The shared economy—Airbnb, Uber, Lyft, all of those things—didn't exist, yet we have got a Tax Code that was built for yesterday.

Who does the status quo benefit, Mr. Speaker? It benefits the few. It benefits the privileged. It benefits the folks at the top of the economic scale of things.

So what this is doing is proposing a very different approach. It says we are going to make the United States the most competitive jurisdiction in the world by giving business tax relief and welcoming back commercial enterprise and growth and prosperity and ingenuity and investment—that does what? It creates paychecks and it expands opportunities.

Kids graduated from college shouldn't have to grub around piecing together two jobs and living in their parents' basement. How absurd. We can do much better. We are the biggest, best economy in the world, and it is time we acted like it.

This is transformational. To lean back and away from this and say, oh, this Tax Code is a natural disaster; it is too big and too overwhelming and we can't deal with it is nonsense. We fundamentally reject that.

We are going to be measured in the future, Mr. Speaker, by this moment. I thank Chairman BRADY for his leadership in creating this crescendo, because now is the time to act. Let's not defend the status quo. Let's move forward, and let's transform this economy.

Mr. NEAL. Mr. Speaker, I am for maintaining the status quo by allowing students to deduct their student interest loans.

Mr. Speaker, I yield 2 minutes to the gentlewoman from Illinois (Ms. SCHAKOWSKY).

Ms. SCHAKOWSKY. Mr. Speaker, everyone knows that the Republican tax scam gives massive tax cuts to millionaires and billionaires and corporations, and they do it, in part, by increasing healthcare costs for millions of Americans. Over 36 million middle class households will see a tax hike under this bill.

Families with big medical bills will take the hardest hit. That is because Americans will no longer be able to deduct major medical expenses such as cancer treatment or Alzheimer's from their Federal income taxes.

This is a middle class tax hike. Seven in ten households using the medical expense deduction make under $75,000 a year. Repealing the deduction would especially hurt seniors who use it for long-term care expenses.

The bill takes a second swipe at American seniors and people with disabilities. According to the Congressional Budget Office, by not paying for tax cuts for the wealthy, Republicans would trigger automatic cuts to Medicare, slashing $25 billion from Medicare in 2018 alone.

But the $25 billion cut to Medicare is just the beginning. The same Republican budget that cleared the way for $1.5 trillion in tax cuts for the superwealthy proposed cutting Medicare and Medicaid by, no coincidence, $1.5 trillion.

Now, Senate Republicans want to pay for additional tax cuts by repealing a key part of the Affordable Care Act. This change would increase the number of uninsured Americans by 13 million and increase premiums by 10 percent.

Middle class families, people with disabilities, and seniors struggling to afford healthcare should not foot the bill for billionaires to get a tax cut. I urge my colleagues to make the healthy choice for Americans and vote against the Republican tax scam.

Mr. BRADY of Texas. Mr. Speaker, I yield 3 minutes to the gentleman from Washington (Mr. REICHERT), chairman of the Trade Subcommittee and a champion for working families.

Mr. REICHERT. Mr. Speaker, I thank the chairman for yielding and for his leadership in bringing this tough piece of legislation. I mean tough in the sense that it has taken years to put this together and at least 40 hearings on the legislation that is presented today.

Mr. Speaker, when I travel my district from the suburbs of Auburn, Washington, to the orchards of Chelan, I hear the same thing from middle-income, hardworking families, from the apple grower in Wenatchee, the tech entrepreneur in Issaquah, and the growing family in Maple Valley, Washington: They want to keep more of their hard-earned money, plan for the future, and they want to have some certainty in their future. They want to care for those they love.

They deserve a plan that gives them the opportunity at their first job or a better job. They deserve a chance to decide how they want to spend their money.

It is their money. Why wouldn't they deserve that chance?

They want a Tax Code that is simpler, fairer, and that works for them. They want the same bright future for their children.

This is a bill that is not just a tax bill, but it is a bill that reignites, in my opinion, the belief in the American Dream.

In the Eighth District of Washington State, the median income family of four will receive a tax cut of $3,654. In Washington State, 21,875 new jobs will be created.

This plan will change lives. It will energize our economy and get our economy booming again.

As we went through this process, I asked myself several questions over the last few years, to be honest with you. Here are the questions:

Will this plan make the American economy boom again?

Will this plan create jobs in America?

Will this plan increase paychecks?

Will this plan put more money in the pockets of hardworking Americans?

Will this plan make the Tax Code fairer and simpler?

The answer I came to and I think that Americans will come to, Mr. Speaker, is a resounding ''yes.''

□ 1715

Mr. NEAL. Mr. Speaker, this bill phases out the deductions that benefit middle-income families.

Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. SCHNEIDER).

Mr. SCHNEIDER. Mr. Speaker, we absolutely must reform our outdated and overly complex Tax Code, but the current bill this House is considering is not the way to do it. I have heard from constituents and local elected officials about how this plan will hurt them and their communities.

Rather than lifting our economy and making our local communities stronger, this bill before us is an unfair and fiscally reckless step backwards. My constituents are deeply concerned with the restrictions placed on the State and local tax, or SALT, deduction. This puts a real burden on the residents of States like Illinois.

One in three Illinois taxpayers uses the SALT deduction. Let's be clear. The SALT deduction is not a tax break for the very wealthy. It is used by the hardworking families we need to be helping with tax reform, not hurting.

I am also profoundly concerned about what this reform means for our growing debt. An additional $2.3 trillion in debt is irresponsible in the extreme, burdening our children and our grandchildren with the consequences.

Now, with the most recent Senate version, the GOP is taking aim at the Affordable Care Act, repealing the individual mandate without a workable replacement to further reduce enrollment in the individual health insurance markets, making coverage more expensive for millions of Americans and their families.

There are things we can do to improve the ACA. For example, delaying the looming taxes on medical devices and health insurance premiums has broad bipartisan support. We should be focused on solutions like these that improve, not dismantle, the ACA.

Despite our willingness to work across the aisle, there was virtually no bipartisan engagement on the plan this House is rushing to vote on. It is not too late to change course.

I urge my colleagues to take the time for full deliberation in a complete and bipartisan process. Together, we can produce real tax reform that is fiscally responsible, prioritizes the middle class, and grows our economy for the next generation.

Mr. BRADY of Texas. Mr. Speaker, I yield 3 minutes to the gentleman from

Nebraska (Mr. SMITH), chairman of the Human Resources Subcommittee and a champion for agriculture.

Mr. SMITH of Nebraska. Mr. Speaker, I thank Chairman BRADY for the time and for his leadership as we continue our efforts to pass this historic legislation.

Mr. Speaker, after nearly 7 years of work in the Ways and Means Committee and more than 31 years since our last true tax reform, many hearings along the way, it is time to pass historic comprehensive tax reform. Our current Tax Code is antiquated, as we know. It is complex, and it ignores many of the improvements and competitiveness, which have been adopted by every other major economy worldwide.

The time for tax reform is now. Others have already outlined many of the highlights of this bill, but I think they warrant mentioning again.

Simplified compliance and rates for individuals and families means more than 95 percent of Americans will be able to file their returns on a postcard. Lower rates for small businesses recognize the important role they play as job creators in our economy. A 20 percent top corporate tax rate and transitioning to a territorial system will ensure our businesses remain competitive with the rest of the world.

In addition to lower rates, expanded expensing will further encourage entrepreneurs to invest in capital to grow their businesses, and full repeal of the death tax, including the continuation of step-up in basis, will ensure our Nation's farmers, ranchers, and small manufacturers can continue creating opportunity for generations to come without the threat of double taxation.

Our Tax Code shouldn't reward businesses and investors because they hired accountants and lawyers to help them avoid taxes, and the estate tax does exactly that right now. I think it is equally important to praise what the bill leaves alone in the Tax Code. With our impending entitlement crisis, we want Americans to save everything they can for retirement. This bill leaves those incentives intact.

It also excludes a proposal, which had initially been included in the bill, to apply self-employment taxes to rental income. This could have had serious repercussions for ag land rental, and I am glad it was dropped. And I particularly appreciate how this bill continues the deductibility of State and local taxes for businesses, including farmers and ranchers.

U.S. producers have made great strides in increasing production on a per-acre basis, but land remains a primary input as they work to feed the world. Ensuring the property tax on land and production remains deductible as business cost is vital to their continued success.

This is the moment to finally provide the tax relief Americans have been asking for and to make our country competitive again. I urge the passage of this progrowth bill.

Mr. NEAL. Mr. Speaker, more than 100,000 Nebraska households making under $137,000 a year will see a tax increase under this bill.

Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts (Mr. CAPUANO), my good friend from Somerville, Massachusetts.

Mr. CAPUANO. Mr. Speaker, I thank the gentleman for yielding. I am a former tax lawyer. My wife is a practicing CPA. We have heard this before: simplification is going to help. It has never put a single accountant out of business, and it won't do it now. It is another part of the big scam going on.

Why? Sure, I will probably get a tax break out of this; some of my constituents will. But what do we get in return? We don't get healthcare. We don't get better roads. We don't get better education. But we do provide a $5,000 to $10,000 debt for our children. We do tell our seniors: Too bad if you have a heart attack or cancer; no more medical deductions for you. We tell our current graduate students: Too bad, no deductions for you. And on and on and on.

And by the way, we have a new provision in here that I like to call the ''Dynasty Protection Act.'' Why? Because if you have a dynasty, if you are worth $30-, $40-, $50-, $100 million, your children get to keep it all. Not because they have done anything, but because they won the genetic lottery. Good for them.

And then if they do get up off their butt and get a job, maybe start a hedge fund with all the money they inherited, they get another tax credit by not touching the special tax deals—you have the hedge fund managers. And if they earn a little extra money, they get to keep more of it because there is no alternative minimum tax left.

I know that President Trump will particularly appreciate that provision because we all know—the only tax return we have seen—the AMT cost him $31 million. So thank you from the rich.

Now, I don't have any problem with people being wealthy. I represent many of them. They don't want this tax cut because they know it is bad for America.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. NEAL. Mr. Speaker, I yield an additional 15 seconds to the gentleman from Massachusetts.

Mr. CAPUANO. Mr. Speaker, as a final insult, the corporate tax you have encourages businesses to send jobs offshore by not taxing profits made offshore when they expand jobs, if they do. They will do it offshore, not here in America.

Mr. BRADY of Texas. Mr. Speaker, Massachusetts will gain 24,000 jobs; families will see a $3,000 increase in their paychecks.

Mr. Speaker, I yield 3 minutes to the gentleman from Minnesota (Mr. PAULSEN), a key member of our committee and a leader in technology and employee stock options.

Mr. PAULSEN. Mr. Speaker, for the first time in a generation, middle-income and hardworking Americans are closer to a Tax Code that works for them rather than against them.

It has been 31 long years since we last reformed our broken tax system, and, in that time, our Tax Code has become one of the most complicated, unfair, and uncompetitive in the world. It has led to a stagnant economy and sluggish growth. American businesses of all sizes have some of the highest tax rates in the world, sending our jobs, our manufacturing, our research, and our headquarters overseas.

And you know, the economic recovery hasn't been all that great since the Great Recession—not that great for a lot of Americans. Half the population is living paycheck to paycheck. Many either have or are at risk of having a lower standard of living than their parents. Young people, like my daughter's generation, will go backwards if this country is not fundamentally more competitive. And then seniors and those baby boomers preparing for retirement, who have a lifetime of savings, are now at risk without a growing economy.

The reforms in this bill today will help real people with tax cuts aimed to help middle-income families that want to save for the future and improve their own standard of living. The bill focuses on helping small businesses, Main Street Minnesota businesses with a simpler, clearer, and fairer Tax Code that is critical for job creation. It lowers small business rates to 25 percent and even provides a 9 percent rate for the smallest Main Street startups.

Modernizing the Tax Code is essential to allowing American businesses of all sizes to compete around the world and bring those jobs home. We need to be able to sell where the customers are, and 95 percent of the world's customers are outside the United States. The international reforms in this bill will incentivize businesses to bring their money home to invest in our communities.

And importantly, this bill includes bipartisan legislation that I authored, the Empowering Employees through Stock Ownership Act, which helps those entrepreneurs and startups attract and retain talent. Hardworking taxpayers, Mr. Speaker, deserve a Tax Code that is simpler, flatter, and fairer so that every American family and employer can file their taxes without having to hire an Army of lawyers and accountants.

Mr. Speaker, we have a choice. The choice is Americans. We can either truly grow the economy and put ourselves back on the path to real prosperity, or we can continue the actual trend we have right now of weak economic growth, which only benefits the few and the privileged and will do nothing for regular folks when the next economic downturn hits.

Tax reform for me is about one thing and one thing only. It is about restoring hope for a prosperous future for

ourselves, our parents, and, most importantly, our children. I want to thank the chairman for his guiding leadership through this effort.

Mr. NEAL. Mr. Speaker, 40 percent of Mr. PAULSEN's constituents claim the SALT deduction, a benefit of over $15,000. They are lucky to break even after this tax bill.

Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. KIND), a valued member of the Ways and Means Committee.

Mr. KIND. Mr. Speaker, there are certain phrases that we have learned to grow to accept with great suspicion: The check is in the mail. It is not you; it is me. Don't worry, I will respect you in the morning. I have had just a few drinks; I am fine with driving.

And now we have to add to that: Don't worry. Large tax cuts for the most wealthy will pay for themselves, and I am a fiscally conservative Republican who cares about debt and deficits.

The Joint Committee on Taxation has determined that, with interest payments, this bill will add over $2.3 trillion, with a T, to our national debt over the next 10 years. That is why last week, in committee, I was offering an amendment that would expand the endangered species list to include fiscally conservative Republicans because your vote on this bill will make you extinct.

And what is unfortunate is, unlike past tax cuts that weren't paid for, we have run out of time. We no longer have the luxury of time to recover from a huge fiscal mistake, not with 70 million baby boomers beginning their massive retirement—10,000 a day joining Social Security and Medicare. Those programs and the solvency of Social Security and Medicare will be in jeopardy with another $2.3 trillion of debt over the next 10 years.

And what is unfortunate, it didn't have to be this way. There was bipartisan interest in simplifying the Code, making it more competitive, broadening the base, making it fair for working families and small businesses and family farmers, but doing it in a fiscally responsible way.

Asking 34 million Americans to accept a tax increase to pay for a 43 percent marginal rate reduction to the largest companies is hardly responsible, and it is hardly fair. I encourage my colleagues to let us take a different approach and reject this bill.

Mr. BRADY of Texas. Mr. Speaker, I yield 2 minutes to the gentlewoman from Tennessee (Mrs. BLACK), the chair of the Budget Committee who cleared the path for this progrowth tax reform.

Mrs. BLACK. Mr. Speaker, I thank the chairman for his endless hours of work listening to everyday people, listening to small businesses, listening to large businesses, listening to how what we put in this bill was going to affect the American people who, at the end of the day, are going to be the winners.

So it has been more than three decades since Congress has worked with the White House to modernize our Nation's very confusing and complicated tax system. Just ask anybody who has filed their taxes on their own.

But we are closer to changing that day with H.R. 1, the Tax Cuts and Jobs Act. And with this budget, with the budget passed in both Chambers and following last week's productive markup in our House Ways and Means Committee, tax relief is on the horizon.

With this legislation, Republicans clearly recognize the need to do something about our heavy tax burden weighing down the hardworking Americans and holding back job creators.

We also recognize the need to bring simplicity to the Tax Code. In our tax reform plan, we will help low- and middle-income Americans see more of their hard-earned paychecks by lowering the tax rates and nearly doubling the standard deduction for individuals and married couples.

□ 1730

For instance, for an average middle class family of four, that translates to a $1,200 tax cut. Now, I will tell you, that is real money.

We also establish a new family credit that raises the child tax credit and introduces new credits for family members and other dependents.

The Tax Code will also become less confusing, making it possible for most Americans to file their taxes on a single postcard.

Our plan, rightly, provides tax relief for job creators, empowering entrepreneurs and small businesses to continue opening, operating, and expanding on Main Street.

For my home State of Tennessee, H.R. 1 will allow families to see an estimated $2,200 increase in wages. Again, that is real money.

The SPEAKER pro tempore. The time of the gentlewoman has expired.

Mr. BRADY of Texas. Mr. Speaker, I yield an additional 15 seconds to the gentlewoman.

Mrs. BLACK. According to the nonpartisan Tax Foundation, this bill would also mean 20,000 new jobs for my State. This will provide a welcome jolt to our economy, which is badly needed following eight lackluster years under the Obama administration.

Without question, enacting tax reform is a challenge, but the benefits of seeing it through will be felt for generations to come.

Mr. Speaker, I am proud to support this legislation, and I urge my colleagues to do the same. We cannot miss this historic opportunity.

Mr. NEAL. Mr. Speaker, over 350,000 Tennessee households making under $132,000 will see a tax increase with this bill.

Mr. Speaker, I yield 2 minutes to the gentleman from Connecticut (Mr. COURTNEY), a leader on the Higher Education Subcommittee and well known nationally as a spokesperson on education issues.

Mr. COURTNEY. Mr. Speaker, I rise in strong opposition to H.R. 1.

Mr. Speaker, I thank Mr. NEAL for his tireless leadership pointing out the trail of broken promises that are in this bill for middle class families, who will pay dearly with higher costs for healthcare, home ownership, and, in many cases, Federal taxes.

I would like to zero in for a minute during National Apprenticeship Week on the broken promise that the bill represents to growing the U.S. economy, which has a shortage of skilled workers. The obliteration of the student loan interest deduction, which will add $24 billion to the cost of higher education; the taxation of graduate students' tuition waivers, 60 percent of which are concentrated in STEM curricula; and the elimination of tax-free employer-funded tuition assistance, to enhance workplace skills, often using apprenticeship programs, moves this country in exactly the wrong direction to close the skills gap in our workforce, which we all know every Member in this body has heard about from employers back home.

Indeed, America's CEOs told the President last February at a White House manufacturing summit: Jobs exist, skills don't.

In fact, the Trump's Labor Department reported 6.1 million job openings in the month of September, a near record high.

Sadly, this antigrowth tax bill robs American job seekers and employers of the tools to fill those jobs, ironically, during National Apprenticeship Week.

Mr. Speaker, I urge the Members of this body to vote ''no.''

Mr. BRADY of Texas. Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. MEEHAN), one of the key members of our Tax Policy Subcommittee and a champion for working men and women.

Mr. MEEHAN. Mr. Speaker, I rise today to urge my colleagues to take advantage of this historic opportunity that we have before us.

As I travel across my district, I hear from families that are struggling to get ahead. I hear from families that can't make ends meet most months. They don't have a whole lot left over. In fact, 63 percent of American families don't have $500 to handle an emergency. I hear from businesses that say they would love to be able to hire, expand, or buy that new piece of equipment, but they just don't have the cash to do it.

Our Tax Code is taking too many dollars from Pennsylvania and sending it to Washington. It is sending good-paying, middle class jobs overseas and it is holding our economy back, making it harder for so many to get ahead.

This is our chance to change the status quo. We have an opportunity to jump-start our economy and let more hardworking families keep what they earn.

We rewrite the Tax Code for American job creators, taking away the incentives to send jobs overseas and dollars offshore. Putting those dollars to

work will put more Americans to work as businesses expand and invest here at home—American tax cuts for American workers with American jobs.

We give these small businesses a break—the mom-and-pop shops that employ Pennsylvanians. We give entrepreneurs, who have so much innovation and creativity, a wider cushion to take a risk. We are putting more money in the pockets of hardworking families. We are doubling the standard deduction, which means that 94 percent of taxpayers won't need to itemize at all. Let me say that again: 94 percent of taxpayers won't even need to itemize at all.

By expanding the child tax credit and creating a new $300 credit for parents and nondependent children, we put an additional $1,800 back in the pockets of every family of four. That is money that they can use as they see fit. We have streamlined the maze of education tax credits, and included in my bipartisan bill are apprenticeship programs that can now be made affordable.

The taxpayers I hear from say they want to pay less in taxes, not more. If limiting some deductions and lowering your rates means your tax bill is lower at the end of the year, that is a good deal for taxpayers.

We owe it to the hardworking, taxpaying families we represent to deliver that.

I urge my colleagues to support the Tax Cuts and Jobs Act.

Mr. NEAL. Mr. Speaker, all of those projects in Philadelphia are about to come to an end with the abolition of the historic tax credit.

Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. SHERMAN), who, incidentally, is a CPA and a tax attorney.

Mr. SHERMAN. Mr. Speaker, by 2027, roughly one-third of middle class families will be paying more in taxes, and that average family will be paying $1,300 more.

The personal exemption, worth $4,150 per person in a family, that is $21,000 for a family of five, and they take it away.

The moving expense deduction, if you have to move to keep your job, you don't get to deduct that. But if you move a factory to China, you get to deduct all of the moving expenses.

The student loan debt, they won't let you deduct it.

As for the effect on simplicity, my CPA and tax law homeboys are going to be rolling in big dollars. Just from the provisions that define the difference between personal service income, passive income, active business income, the litigation and planning opportunities—talk about complexity—it is all there, and my homeboys love it.

We currently deduct extraordinary medical expenses. That is important to those with disabilities and families with children with special needs. They wipe it out.

The extraordinary casualty loss deduction, they wipe out. That is very important to people who face floods and fires.

They change the rules so that we don't have adequate indexing for inflation, so everybody is pushed into a higher tax bracket by inflation, except those at the very top; they are protected.

But look at the effect on our Nation's economy. This is a job-killing, deficit-exploding, growth-reducing disaster. Look at what happened to Kansas. These policies have already devastated one of our States.

You are going to be taking $1.5 trillion out of the money available for business investment. The Federal Government will come in and borrow all of that money, leaving less money for factories, farms, and homes.

As RON KIND pointed out, there is an extra $800 billion of interest on top of that just in the next 10 years. Keep in mind, this increase in our debt is forever. Your grandchildren will be paying taxes on this debt.

Look at the chart. We had the policies of Ronald Reagan from 1988—when his 1986 law became effective—through 1993, and we had 2.67 percent growth. In 1994, we got Clinton tax policies and we exploded to over 4 percent annual growth. Then with George W. Bush, we dropped to 1.7 percent growth. Then when we adopted Obama tax policies, which are in force today, we are back up to 2.2 percent economic growth.

Which policies give you economic growth?

Let's look internationally. You can manufacture and pay zero percent on the profits you earn by a factory, but only if it is a foreign factory.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. NEAL. Mr. Speaker, I yield an additional 15 seconds to the gentleman.

Mr. SHERMAN. Finally, Mr. Zandi, one of the top economists in the country, testified before our Financial Services Committee that this bill means double-digit declines in the value of homes in American metropolitan areas.

What effect does that have on the economy? Who is going to go out and spend in the middle class when they are told that the equity in their home has been virtually wiped out?

So you can vote against this bill because it is unfair, or you can vote against this bill because it will be a crushing weight on our economy, but don't engage in the fantasy that you can cut taxes and make it up through ''economic growth.''

Mr. BRADY of Texas. Mr. Speaker, under tax reform, California will grow 111,000 new jobs, and paychecks will increase by nearly $3,000.

Mr. Speaker, I yield 3 minutes to the gentlewoman from South Dakota (Mrs. NOEM), a champion of family-owned farms and businesses.

Mrs. NOEM. Mr. Speaker, I thank the chairman for yielding.

Mr. Speaker, today I rise in support of H.R. 1, the Tax Cuts and Jobs Act of 2017.

We have worked hours—literally hundreds of hours—on this legislation, and I commend Chairman BRADY and the staff of the Ways and Means Committee for all of their hard work.

Mr. Speaker, we have gone through this bill line by line. I have personally fought for policies and ideas in this bill to make sure that it works for families, to make sure that it increases wages, and creates more opportunity for folks all across America.

My goal in this was two-fold. Number one, I wanted to strengthen families. Number two, I wanted to create a stronger future for America. This tax reform package puts us well on our way to achieving these goals and achieving some remarkable wins for the American people.

I say this because this plan simplifies the Tax Code. It simplifies it to the point that most people can file their taxes on a form the size of a postcard. It also gives significantly lower rates. It dramatically expands the child tax credit. It keeps the child care credit. It protects flexible spending benefits.

These provisions for working families are important to me. My home State of South Dakota has the highest rate of working families in the Nation. The moms and dads in my State aren't working just for fun. They are working to pay the bills to provide for their families. They need money to put food on the table and to put a roof over their kids' heads. These provisions are going to help them pay their bills, take care of their kids, go to work, and maybe, just maybe, get a little extra money that they can take their kids off for a weekend and do something fun together. That is important.

When these kids grow up, I want them to be able to find good, high-paying jobs. So I fought hard to make sure that our farmers, our ranchers, and our small businesses could thrive under this new Tax Code. We got some pretty big wins for those folks.

In this bill, we fully and permanently repeal the death tax—that un-American, unfair double tax. We give people better expensing tools and we drive down the rate for small businesses. If we are going to make sure that our kids can thrive, we need to create opportunities for them to make sure that they can do it right here in America, and this tax reform package lets hardworking job creators do that better.

Mr. Speaker, I understand that no tax reform plan is going to be perfect in everybody's eyes, but this proposal is a strong step forward. It reflects real, sustainable policy changes that are going to let people keep more money in their pockets.

I have heard from many throughout this debate, who have spoken up against these tax cuts and these reforms—people who trust the government with this money more than they trust the American people.

Mr. Speaker, I fundamentally disagree. The American people deserve more control over their paychecks.

They have worked hard to earn that money. They have taken time away from their families to earn that money. They ought to be the ones deciding how, where, and when to spend it.

So for the purposes of strengthening families and offering folks a stronger future here in America, I urge my colleagues to support H.R. 1.

Mr. NEAL. Mr. Speaker, 38,000 South Dakota households making less than $113,000 a year will see a tax increase under this legislation.

Mr. Speaker, I yield 2 minutes to the highly regarded gentleman from Virginia (Mr. CONNOLLY), the son of Massachusetts and my friend.

Mr. CONNOLLY. Mr. Speaker, I thank my good friend, the gentleman from Massachusetts (Mr. NEAL) for yielding me this time.

Mr. Speaker, you can put all the lipstick you want on this pig, and it is still a pig.

Let's be honest, this isn't tax reform. This is a cut on taxes for corporate America, the corporate friends and my friends on the other side of the aisle, and they had to squeeze all kinds of things in to justify it and pay for it. That is why the middle class is going to suffer. That is why their kids in college are going to start losing their ability to deduct interest on student loans, and they are going to pay taxes on waived tuition when they get a teaching assistant position or a benefit from the university.

□ 1745

That is why your local municipalities are going to lose tax exemption for private activity bonds that fund tens of billions of dollars of public improvements all over the United States.

That is why 8.8 million Americans are going to lose the ability to deduct medical costs. Good luck to families who have to put people in nursing homes for long-term care, patients suffering dementia. How will they work that financing out when they lose this deduction, and how will they feel when they know the reason they are losing this deduction is to finance a corporate tax rate?

What about homeowners losing the ability to deduct mortgage interest or to have it capped artificially so corporate America can get the biggest tax cut in history?

And, by the way, they get to continue to deduct State and local taxes and other kinds of financial interest-related expenses, but not you, not you the middle class.

It adds $1.5 trillion, and that is with dynamic scoring. Dynamic scoring is another way of saying: We kind of fudged the real number. It is more than that, at least $200 billion more than that.

I thought my friends on the other side of the aisle were fiscal hawks dedicated to making sure we didn't have deficits.

This is an inconsistent bill. This is going to harm middle class America.

Mr. Speaker, I urge my colleagues to defeat this bill, and let's start over in a bipartisan way.

Mr. BRADY of Texas. Mr. Speaker, the gentleman's constituents in Virginia's District 11, with average household earnings of $136,000, with two kids, will see a tax cut of $5,008.

Mr. Speaker, I yield 2 minutes to the gentleman from Kentucky (Mr. BARR).

Mr. BARR. Mr. Speaker, I rise today to engage in a colloquy.

Mr. Speaker, I want to first commend Chairman BRADY and the Ways and Means Committee for their outstanding work on the Tax Cuts and Jobs Act, which will provide tax relief to millions of hardworking families and businesses.

I would like to address a small provision in the bill that inadvertently impacts Berea College, a small private college in Berea, Kentucky, that is a member of the federally recognized Work Colleges Consortium.

Work colleges, by definition, do not charge their students tuition, and they also require their students to hold jobs. For over 125 years, Berea College has fulfilled its mission of providing a tuition-free education to students with limited economic resources, primarily from Appalachia, and who are often first-generation college students. Berea pairs its strong academics with a student labor program, honoring the dignity and utility of all work.

Berea could not fulfill its unique and special mission of providing free tuition to all students without a healthy endowment. The Tax Cuts and Jobs Act includes a 1.4 percent excise tax on private college endowments over $500,000 per student. There are two federally recognized work colleges with endowments above this level, including Berea College in my district.

I was pleased to learn that the Senate version of the bill exempts schools with fewer than 500 tuition-paying students from the excise tax. This provision would effectively exempt work colleges from the tax, because they do not charge tuition.

I understand it was never the committee's intent for this legislation to negatively impact work colleges that use their endowments to provide tuition-free education. In fact, I understand the intended purpose of the excise tax is to encourage colleges to use their endowments to keep college costs down. In this case, Berea College uses its endowments to defray 100 percent of the cost of tuition.

Mr. Speaker, I thank the chairman for his willingness to work with me on a solution in conference, either acceding to the Senate position or another mutually accepted solution that exempts work colleges and allows them to continue their unique mission.

Mr. BRADY of Texas. Will the gentleman yield?

Mr. BARR. I yield to the gentleman from Texas.

Mr. BRADY of Texas. Mr. Speaker, I wish to thank the gentleman from Kentucky for his leadership here.

Mr. Speaker, we will work together for a mutually accepted solution to make sure we exempt work colleges to use their endowments to provide tuition-free education.

Mr. BARR. Mr. Speaker, I thank the gentleman.

Mr. NEAL. Mr. Speaker, I yield 2 minutes to the gentlewoman from California (Ms. LEE), a well-regarded champion of middle-income people.

Ms. LEE. Mr. Speaker, I thank the gentleman for yielding and also for his tremendous leadership on the Ways and Means Committee and for really telling the truth.

Mr. Speaker, I rise in strong opposition to this bill, H.R. 1, which really is a tax scam. Republicans are really trying to pull a fast one on the American people.

This bill would steal from the hard-earned paychecks of millions of middle-income families to line the pockets of billionaires and corporations. In fact, 80 percent of the tax breaks would go to the top 1 percent. It also eliminates student loan deductions and eradicates medical expense deductions.

If this isn't cruel enough, this bill makes it easier for corporations to ship jobs overseas, so people will actually lose their jobs. This tax plan does nothing to create better jobs or better wages or a better future for the middle class. It does just the opposite.

In my home State of California, one in five middle-income families will see a tax hike next year. The State and local tax deduction would be particularly hard on my State, where 6.1 million households will see a tax increase.

Public sector jobs, like firefighters, will lose their jobs, not to mention the vital services our most vulnerable will need. These will be cut.

This bill really is a disgrace. Stealing from families who need help the most to give more to donors—millionaires and billionaires and corporations—this is really a new low.

Thirty-six million middle-income households, working families, will pay more in taxes.

We can't forget, also, that this tax scam sets the stage, really, for a heartless $1.5 trillion cut to Medicare and Medicaid, as we saw in the Republican budget.

We need to reject this mean-spirited tax scam and vote ''no'' and then come back and look at how we can support middle-income families, working families, so everyone has a chance and an opportunity at the American Dream.

Mr. BRADY of Texas. Mr. Speaker, I would note that the constituents in California's 13th District, a median family of four earning $107,000 will see a tax cut of $2,589.

Mr. Speaker, I yield 2 minutes to the gentleman from West Virginia (Mr. MCKINLEY).

Mr. MCKINLEY. Mr. Speaker, I thank the gentleman for this opportunity to discuss the historic preservation tax credits that historically have stimulated nearly $150 billion in private sector investment.

As we have discussed over the last month, the tax credit is critically important for economic development and revitalization, especially in small, rural areas of this country. Without the credit, projects that transform communities in all 50 States, from West Virginia to Texas, to Wisconsin, simply will not happen.

Mr. Speaker, the chairman's word means something to me, so I am asking for his commitment to continue working with me to ensure that the Federal historic preservation tax credit is preserved in the final tax reform package.

Mr. BRADY of Texas. Will the gentleman yield?

Mr. MCKINLEY. I yield to the gentleman from Texas.

Mr. BRADY of Texas. Mr. Speaker, I thank Mr. MCKINLEY for his passion about making sure our smaller communities can revitalize and grow and about the role of the historic preservation tax credit in doing that. I commit to working with him and continuing to work with him on this issue because I know the importance of it.

Mr. MCKINLEY. Mr. Speaker, I thank the chairman and I look forward to working with him as well. We have had a good working relationship over the years. I want to continue this process because I understand this process. I will be voting to continue the process in anticipation that it will be in the final bill.

Mr. NEAL. Mr. Speaker, I yield 2 minutes to the gentlewoman from Massachusetts (Ms. CLARK), a valued member of our delegation.

Ms. CLARK of Massachusetts. Mr. Speaker, I thank our ranking member for yielding and for all of his incredible work on this bill.

Mr. Speaker, we were promised tax reform, but that is not what we are seeing in this bill. In fact, you don't have to dig far into this 429-page bill to see that it is a con, a cynical bait and switch for families at home.

When this bill was released just 2 weeks ago, I started getting calls from families at home wanting to know how it would affect them. We dug into it, and I want to share just a few of those examples, but it didn't take long to see why it was developed in secret and why it is being rushed to a vote.

On page 254, Republicans propose getting rid of a program that helps veterans find work when they come home. 300,000 veterans have been helped by the work opportunity tax credit. The repeal of this provision to reduce taxes for the very wealthiest is a coldhearted way to say thank you for your service.

On page 113, this tax scam sends a bill to 9 million households who have extremely high medical costs. Tax breaks for billionaires are expensive; we get that. Under this plan, Americans who live in nursing homes, have a sick child, high medical costs will foot the bill.

On pages 95 and 97, students get added to the list of Americans who will be forced to pay for the GOP's tax breaks for corporations. They will see increased debt and taxes.

This bill says: Good luck, students. Building an economy that will not allow you to pay off the $1.3 trillion of existing student debt but, instead, will add $2.3 trillion in deficit, this bill was created for you.

Just yesterday, the President's chief economic strategist was surprised when the CEOs gathered admitted they would not be investing their tax cuts in jobs and wages.

The SPEAKER pro tempore (Mr. GARRETT). The time of the gentlewoman has expired.

Mr. NEAL. Mr. Speaker, I yield an additional 30 seconds to the gentlewoman.

Ms. CLARK of Massachusetts. Mr. Speaker, he should not have been surprised. Corporations are already sitting on record amounts of cash while generations of hardworking Americans have had to pay for tax experiments like this based on disproven economic theories.

Let's not repeat the mistakes of the past. Let's reject this bill and work together to create bipartisan tax reform that is fair and benefits all families.

Mr. BRADY of Texas. Mr. Speaker, because of the Tax Cuts and Jobs Act, in the Fifth District of Massachusetts, a median household of four earning $143,000 will see a tax cut of $5,208.

Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. REED), one of our key leaders on tax reform on the Ways and Means Committee.

Mr. REED. Mr. Speaker, I thank the chairman for all of his hard work in putting this bill together.

Mr. Speaker, this bill has been in the process for over 7 years in regards to the time I spent on the committee. There have been multiple hearings on the issue of tax reform, well over 40-plus. There have been hours upon hours of debate.

There were efforts done by our former chairman, Dave Camp. I know my colleagues on the other side of the aisle have recognized, during our committee markup process, the hard work that Chairman Camp did with rewriting the entire Code from the bottom up.

These issues have been out there for the American people and for the people from across the country to look at, to digest. Now is the time to rise in support of this legislation, Mr. Speaker, because what we have before you is a new Tax Code for the 21st century.

Mr. Speaker, we have a Tax Code that is going to, for once in 31 years, put our corporations on the multinational level across the world in a competitive position by lowering the rates and getting to a 21st century taxing program on a territorial basis.

Most importantly, Mr. Speaker, we deliver tax relief. I know the folks on the other side aren't going to agree with this because they are going to say this is a Tax Code for the rich, this is a Tax Code, tax reform for the rich and the almighty 1 percent.

But, Mr. Speaker, I have done the math. I have looked at this bill inside and out, and it delivers a simplified Code where $1,600 is left in the pockets of my constituents in western New York. That is $1,600 that they earned that the government won't have to take from them anymore; $1,600, Mr. Speaker, that will allow them, as senior citizens, to go visit their grandkids in the South because New York State has driven them out of New York State with its high tax policies at the State capital. That is $1,600 that maybe they can go on a trip with their family and experience a little relaxation because of the hard work that generated those moneys and those dollars in their pockets.

Mr. Speaker, these are the people whom we represent, the Perrys. Mr. and Mrs. Perry are hardworking people of western New York, and those are their two beautiful children. What this is going to allow them to do is get a little bit more of their money kept in their pocket so they can spend a little bit more time with their kids and enjoy the fruits of their labor.

□ 1800

Mr. Speaker, I know my colleagues on the other side advocate because there is another issue with tax reform that I want to highlight real quick.

The easy approach of government is to spend more money, develop more programs, and maybe give a little bit in regards to a government welfare check. But what this Tax Code and reform does is deliver a job opportunity for these people, and I don't know a better program in America that serves more people than an honest day's work and an honest paycheck and an honest job, and that is what this Tax Code will do.

Mr. NEAL. Madam Speaker, correction. Not one hearing was held on this tax bill. Thirty-eight thousand people in Mr. REED's district will lose the student loan interest deduction.

Madam Speaker, I yield 1 minute to the gentlewoman from Ohio (Ms. KAPTUR), a real champion of the working class in America.

Ms. KAPTUR. Madam Speaker, I want to thank the gentleman from Massachusetts, Ranking Member RICHARD NEAL, for his exceptional leadership in trying to fix this horrendous bill.

Madam Speaker, the GOP-led tax and deficit disaster rewards the big corporations and billionaires. It will accelerate job outsourcing. Indeed, 50 percent of the tax benefits go to the top 1 percent.

This tax scam locks in—get this—a $621,500 tax bonus to each billionaire in the billionaire class, the top one-tenth of 1 percent. Do you really think they need it?

Meanwhile, this tax scam raids money from the pockets of 38 million middle class taxpayers, likely those caring for their sick relatives or trying to help their kids in college. Do you

really think the one-tenth of 1 percent need more?

Money-trading Wall Street megabanks like Goldman Sachs and J.P. Morgan, already making billions, will get more tax bonuses courtesy of the middle class.

The SPEAKER pro tempore (Ms. CHENEY). The time of the gentlewoman has expired.

Mr. NEAL. I yield the gentlewoman an additional 30 seconds.

Ms. KAPTUR. This job outsourcing tax bill of the rich, by the rich, and for the rich, well, if it walks like a duck and quacks like a duck, it must be a duck, and this duck belongs in a swamp, which voters may have thought they were draining in the last election.

Well, folks, this bill makes the swamp wider and deeper, and the fat ducks will be even fatter and happier in it.

I urge my colleagues to vote for the middle class, not the billionaire donor class. Vote ''no.'' Drain the swamp.

Mr. BRADY of Texas. Madam Speaker, I am proud the Tax Cuts and Jobs Act for that family of four in Ohio, in the Ninth District, a $64,000 household, will see a tax cut of $1,284.

Madam Speaker, I yield 1 minute to the gentleman from Ohio (Mr. TURNER).

Mr. TURNER. Madam Speaker, I thank the chairman for working diligently to create the Tax Cuts and Jobs Act that will give a tax break to the middle class.

After speaking to both Speaker PAUL RYAN and Ways and Means Committee member TOM REED, I believe that an unintended consequence of this bill would hinder middle class Americans pursuing a higher education degree in an attempt to better their lives. These consequences will affect the education of employees of universities, graduate students, and employees receiving employer-provided education benefits.

Madam Speaker, under current law, higher education institutions can provide tax-free tuition waivers or reimbursement to employees, spouses, and dependents.

Secondly, many universities provide graduate students, including Ph.D. candidates, with tuition relief and stipends, which they can utilize while pursuing their degree. Several of my constituents, including my niece, Sarah Schiavone, who is a Ph.D. student, would be impacted by this.

Thirdly, employer-provided education incentives are currently not taxed. I offered two amendments, amendments 20 and 21, to H.R. 1 that would have kept these qualified tuition reduction benefits and currently would have provided for them to continue.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. BRADY of Texas. Madam Speaker, I inadvertently cut the gentleman short. I yield the gentleman an additional 2 minutes.

Mr. TURNER. I know the Senate is working on their version of the tax reform package, and, as of today, the Senate bill does not include the repeal of these vital education permits.

Mr. Chairman, I would like your assurances that the current status of these education benefits will be protected during conference debate. I am requesting you continue to work with my office as we, together, address this issue.

Mr. RODNEY DAVIS of Illinois. Will the gentleman yield?

Mr. TURNER. I yield to the gentleman from Illinois.

Mr. RODNEY DAVIS of Illinois. It is a privilege to be able to work with the gentleman on this issue, and, Mr. Chairman, it is a privilege to work with you.

With eight colleges and universities in my district, I cannot ignore the impact that eliminating this section that Mr. TURNER eloquently explained—the impact it may have on the students and the employees in my district at all of those institutions.

The University of Illinois, the largest university in my district, provided $184 million in tuition waivers to 1,387 faculty and staff last year alone; 1,100 of those employees made less than $75,000.

I am worried, too, that that is going to have a tremendous impact on graduate students. I am worried it is going to have an impact on the custodians and the assistants in the Registrar's Office who are just working at these institutions to be able to send their son or daughter to college. So I look forward to working with Mr. TURNER and Mr. Chairman and working toward a solution.

Mr. BRADY of Texas. Will the gentleman yield?

Mr. TURNER. I yield to the gentleman.

Mr. BRADY of Texas. Madam Speaker, I would like to thank Mr. TURNER and Mr. DAVIS for raising this important issue. On the committee, Representatives MEEHAN and LYNN JENKINS led the discussion and share your sentiments.

I have a keen interest in this issue. I will work with you toward a positive solution on tuition assistance in conference with the Senate.

Mr. NEAL. Madam Speaker, I yield 2 minutes to the gentleman from Vermont (Mr. WELCH), who is a son of Springfield, Massachusetts, and a very distinguished gentleman.

Mr. WELCH. Madam Speaker, I have a few questions for the authors of this bill.

What do you have against students? You are imposing an opportunity tax. A young Vermonter who wants to get a certificate in welding, or get a degree from our community college, and gets tuition assistance from an employer, they have to pay taxes on that. If they borrow money from the Vermont Student Assistance Corporation, they have to pay more because they can't deduct that interest.

By the way, the Vermont Student Assistance Corporation has to charge higher interest because we are eliminating private activity bonds, and they don't get the benefit of their municipal bonds rate.

I have another question. What do you have against teachers? They reach in their pocket at the beginning of school to help out with school supplies. They lose the deduction.

I have another question. What do you have against people who have a loved one with Alzheimer's? They can't deduct the cost of that medical care.

The SPEAKER pro tempore. The gentleman will suspend.

Members are reminded to address their remarks to the Chair.

Mr. WELCH. Well, I have another question for the Chair, and I ask it of the leadership.

What happened to democracy? We were promised an open process. And there was a model for this. It was President Reagan and Dan Rostenkowski, 4 months of actual hearings, witnesses testifying about the bill.

This was written in secret. Oh, by the way, no amendments.

Now, we could ask 435 Members of Congress whether we should stick it to the students like we are doing in this bill, and 435 of us would all stand up for the students. But you know what? Not a single one of us is given the opportunity to ask the question: Do we want to stick it to our students who want to get a welding degree or a college degree?

That is disgraceful, it is inexcusable, it is within the control of the majority, and they are denying us the opportunity.

Here is the big deal that we know. This bill was written by and for the donor class that has flooded and contaminated this political process with billions of dollars in our campaigns.

Madam Speaker, I say defeat this bill.

Mr. BRADY of Texas. Madam Speaker, the Tax Cuts and Jobs Act for families of four in Vermont, making $89,000, will see a tax cut of $2,030.

Madam Speaker, I yield 3 minutes to the gentlewoman from Indiana (Mrs. WALORSKI), one of our key leaders championing for small business.

Madam Speaker, I also ask unanimous consent that the gentleman from Illinois (Mr. ROSKAM) be permitted to control the balance of my time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mrs. WALORSKI. Madam Speaker, I thank the chairman for all of his work.

Madam Speaker, I can't tell you how grateful I am to cast a vote to move our Tax Code one step closer to its first overhaul in 31 years.

We know the Tax Code is broken. The American people know the Tax Code is broken. They are reminded every time they look at their paycheck. The Tax Cuts and Jobs Act will deliver progrowth tax reform to the families, farmers, manufacturers, and workers in my district.

For families, we are delivering tax cuts so that hardworking Hoosiers can keep more of their hard-earned money. We are enhancing the child tax credit, preserving the Adoption tax credit, encouraging retirement savings, and streamlining 15 different education tax incentives.

We are delivering a Tax Code so simple that most Americans can file taxes on a postcard. In my district, 80 percent of filers already take the standard deduction. They will be able to keep even more of their money, because the standard deduction is doubled, and most itemizers will now be able to save time, money, and stress by taking the double standard deduction instead.

No one is ever excited to file their taxes, but I am all for a simpler, quicker process that makes it much more pain-free.

H.R. 1 helps job creators grow. Small businesses get a lower rate and more simplicity. Family businesses passed down for generations won't have to worry about the estate tax anymore, and America will be a more attractive place to do business.

Our antiquated Tax Code keeps investment in jobs out. This bill incentivizes companies to bring profits back, to locate facilities here, and to grow American jobs and raise wages.

Madam Speaker, I was so proud to vote for this bill in the Ways and Means Committee, and I am proud to be a part of this House that is delivering yet another crucial step toward tax cuts, simplicity, and fairness.

Madam Speaker, I urge all of my colleagues to support this bill.

Mr. NEAL. Madam Speaker, the University of Notre Dame is about to get slugged with a new tax, and the clock is running out.

Madam Speaker, I yield 2 minutes to the gentleman from Georgia (Mr. DAVID SCOTT), who has been a champion of the working class.

Mr. DAVID SCOTT of Georgia. Madam Speaker, I thank Ranking Member NEAL. I appreciate this time.

Madam Speaker, my heart is heavy tonight, and it is heavy because we are faced with the absolute, most dangerous, destructive, and deceitful tax reform bill in the history of this Congress. Now, let me tell you why.

On the other side, you have heard Member after Member on the other side get up and tell you: This is going to get a tax cut, we are going to give the wealthy a tax cut, we are going to give the corporations a tax cut. But none of them have told you, or the American people, how they are going to pay for it.

And the great tragedy is, the most deceitful thing about what my colleagues on the other side are doing to the American people is they are doing these tax cuts for the wealthy, the tax cuts for the corporations, on the backs of the poor, the middle class. Let me tell you why.

They won't tell you that they are paying for this tax cut because on—$1.5 trillion that they will cut from Medicaid, from Medicare.

Madam Speaker, Medicaid is for the children. There are literally millions of children on there.

You heard one of my colleagues go down. We are losing 20 veterans to suicide every single day. No mention of that. Yet they will cut the veterans program designed to help them to pay for this tax cut.

Not to mention the student loan interest rate. Young people across this country, you need to rise up. Seniors, we need to rise up.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. NEAL. I yield the gentleman an additional 15 seconds.

Mr. DAVID SCOTT of Georgia. We need to rise up and stand and fight for this country. Let our minds go back to 1770, in Boston, at the harbor, when they threw the tea over that founded the foundation of our great democracy.

I ask the American people to stand up and help us Democrats defeat this dangerous bill.

The SPEAKER pro tempore. Members are reminded to address their remarks to the Chair.

□ 1815

Mr. ROSKAM. Madam Speaker, the good news is that the good people of Georgia's 13th District median household income, family of four, at $80,000 would receive a $1,700 tax break.

Madam Speaker, I yield 3 minutes to the gentleman from Arizona (Mr. SCHWEIKERT), former treasurer of one of the largest counties in our country.

Mr. SCHWEIKERT. Madam Speaker, this is one of those moments where—and forgive me, but I sometimes feel like I live and work in a math-free zone, because you can't intellectually have it both ways, where you are talking about the great difficulties coming, and then when you bring in the actual data and you actually start to look at the charts that we all see, it isn't in the future, it is right on the cusp of us, and that is the debt and entitlement crisis.

If we do not start to get some economic growth, we are in so much trouble. If you really care about Medicare, Medicaid, the children, this education program, this health research, where is the money coming from?

It is on the cusp. This is less than a decade away. In just a few years, we cross 100 percent of GDP, and that is publicly held, and then the ability to sell the bonds if we do not get economic growth.

But if you look at the last 30 years in the charts and the data—and I am sorry, I know this is small and I know it is math, so it is uncomfortable for a lot of people in this body. If you actually look across here and you see, this is entitlements to GDP, when we have been in times of economic expansion, all of a sudden our ability to finance, to maintain the promises we have made as a society, if the math works. And this is a commonality we both understand, economic growth is our only path. Because if it is not, are you on your side ready to do fairly draconian cuts?

If we actually look at some of the data that has come from the Tax Foundation, the Tax Foundation's modeling says $1 trillion of additional taxes, but almost $300 billion in additional payroll taxes over the 10 years.

I have already heard a couple people get behind the microphone here and use the term that the trillion and a half is dynamically scored. No. That is a static score. All dynamic scoring is—so we all have a commonality—you calculate back in the size of the economy. You loop back in the size of the economy, and you can't have it both ways. You either support dynamic scoring or you oppose it for global warming. You oppose it for immigration. You oppose it for the stimulus, because we actually, as a body, every March, when CBO brings us the numbers, they give us a number that has been dynamically scored.

I know we all want what is best for this Nation, but as I dig through the math, if we get the economic growth that I believe this tax model, so many of the very difficult decisions we as a body have to make over the next decade get much easier. Let's hope we get there.

Mr. NEAL. Madam Speaker, I appreciate the gentleman's sincerity as we proceed to watch them borrow $2.3 trillion on the deficit.

Madam Speaker, I yield 2 minutes to the gentleman from Michigan (Mr. KILDEE), from a well-known family.

Mr. KILDEE. Madam Speaker, I thank the gentleman for yielding me time and for his incredible leadership on this subject.

You can't have it both ways. I just heard it said. You can't have it both ways. So what I suspect will happen after I get done, as has been the case with every one of the speakers on this side, the gentleman on the other side will say that residents in my hometown will get a tax break of X, $1,000.

I would ask the gentleman if he would add to that the amount of the debt that is being borne by each one of those families. Because the way I have got it calculated, it costs a family of four about $20,000 for your debt that you are willing to levy against our children and grandchildren in order to give the richest 1 percent of Americans a massive tax break.

You can't deny the math that almost all the benefit goes to the people at the top. The top 1 percent are huge beneficiaries. You can't deny the math that 5,400 families will get a massive tax break. You can't deny the math that says that every single American will take on additional debt; a family of four, $20,000 in debt.

I also was intrigued by the colloquy where Members came to ask the leadership if they will work with them to take out egregious elements of this tax

proposal. We get this sort of ''Yes, I will work with the gentleman'' answer.

I have a question: Why did you put it in in the first place? Why are you cutting brownfield tax credits? Why are you cutting new market tax credits? Why are you cutting historic tax credits in the first place? Why did you put it in in the first place?

You just wrote the bill. You just wrote it. It makes no sense. It makes no sense.

We can't pass debts to our children in order to finance tax breaks for the people at the very top.

The SPEAKER pro tempore. The Chair would like to remind all Members that they should address their remarks to the Chair and not to others in the Chamber.

Mr. ROSKAM. Madam Speaker, I yield myself 30 seconds.

Madam Speaker, the good news is it is not just $1,000 for the gentleman's district, it is $1,200.

Let's go right to this student issue. It was the Obama administration that proposed in the 2017 budget for the elimination of the student deduction. I think the sanctimonious need to just walk out of the Chamber.

The other thing is, at a tax rate of 15 percent, an annual $2,500 above-the-line deduction is a $375 tax break. We are proposing something far greater than that with doubling the standard deduction, lowering the rates and so forth.

Madam Speaker, let's just take the student deduction and chuck it in the garbage.

Madam Speaker, I yield 1 minute to the gentlewoman from Missouri (Mrs. WAGNER).

Mrs. WAGNER. Madam Speaker, it is about time we get something real done for the American people. The people of Missouri's Second District sent me to Washington to secure their jobs and to keep a little more of their hard-earned money, and at long last we are finally doing just that.

I vote ''yes'' to fix our broken tax system. I vote ''yes'' to help reignite the American economy. I vote ''yes'' to make it a little bit easier for that single mother of two, that firefighter, that teacher, that shopowner, that family of four, that veteran. I vote ''yes'' for bigger paychecks, better savings, and a more secure future.

I ran for Congress to fight for the people of Missouri and to ensure that every hardworking American can realize their own American Dream.

Mr. NEAL. Madam Speaker, I yield 2 minutes to the gentleman from Pennsylvania (Mr. MICHAEL F. DOYLE), a conscience of the House and a champion of all things Pittsburgh.

Mr. MICHAEL F. DOYLE of Pennsylvania. Madam Speaker, I rise today in opposition to this terrible bill. Many of my colleagues have called it a scam, and they are absolutely right.

Supporters of this bill have said that everyone gets a tax cut. That is not true. Millions of Americans get a tax increase; more and more each year, in fact.

Supporters of this bill have called it a middle class tax cut. That is not true. The lion's share of the money goes to corporations and households making $1 million or more, not to the family struggling paycheck to paycheck.

What this bill gives to the middle class in one hand, it takes it away with the other with devastating consequences for households with high medical costs, student loans, or high State and local taxes.

Supporters of this bill have claimed that it will keep companies from moving jobs overseas, create new jobs here at home, raise wages for American workers. That is not true. While this bill cuts corporate tax rates, it creates new incentives for shipping our jobs abroad.

Finally, does anyone really believe that tax cuts for corporations and the rich will trickle down to the rest of us?

It didn't work in the Reagan administration. It didn't work in the Bush administration. It didn't work in Kansas, and it is not going to work today.

Make no mistake, this massive tax cut for corporations and the rich will increase deficits and the national debt by trillions of dollars, sticking the rest of us, especially our kids, with the bill.

Madam Speaker, this massive tax cut for corporations and the wealthy is not a middle class tax cut. It won't create jobs or raise wages. It isn't simple, it isn't reform, and it certainly won't pay for itself.

If we want to increase economic growth, let's give a real break to the middle class and the small businesses. They will put that money right back into the economy. That is the way to create jobs and boost wages.

Madam Speaker, I urge my colleagues to reject this giveaway to the rich and to start over with a bipartisan bill that truly benefits the middle class.

Mr. ROSKAM. Madam Speaker, my friends on the other side of the aisle need to make a decision: Do they want to lionize Ronald Reagan or criticize Ronald Reagan?

I will leave it to them to decide which.

Madam Speaker, I yield 2 minutes to the gentleman from Kentucky (Mr. BARR).

Mr. BARR. Madam Speaker, I rise today to adamantly dispute this false narrative that the Tax Cuts and Jobs Act is only intended to benefit the wealthiest Americans and does not benefit the middle class.

When you hear this fiction from the other side of the aisle, remember these facts: this bill lowers tax rates on low- and middle-income Americans. It takes the lowest 10 percent bracket to zero. It doubles the standard deduction, meaning hardworking Americans can immediately take home more of their paychecks. Specifically, the first $24,000 of family income will be completely tax free under this plan.

By slashing our noncompetitive corporate tax rate, this bill will result in more jobs and, according to the nonpartisan Tax Foundation, it will deliver average American households a pay raise of at least 2½ percent.

With this legislation, a typical family of four earning $59,000, the median household income, will receive a $1,182 tax cut.

Madam Speaker, that is not a tax cut for the rich. That is a tax cut for low- and middle-income hardworking Americans, and that is a fact.

This will benefit people like Jared from Frankfort, Kentucky, who told me: ''The extra income from the tax cut will enable us to have some breathing room.''

It will also help constituents who are living paycheck to paycheck, who have told me they would use these tax cuts to save for a rainy day, make car repairs, occasionally go to a restaurant, and invest in higher education for their kids.

I heard from my constituent in Lexington named Gary, who told me: ''It doesn't matter how I plan to use my money. By definition, it is my money to begin with. Trust me to spend it in the way that applies for me.''

Gary, you are absolutely right, it is your money.

Tax relief is not about handouts. It is simply about allowing the American people to keep more of the hard-earned income that they made.

On behalf of all of the hardworking people of central Kentucky, I urge my colleagues to vote for Gary and to vote for all other taxpayers who deserve to keep more of what they earned. Vote ''yes.''

Mr. NEAL. Madam Speaker, I yield 2 minutes to the gentleman from Ohio (Mr. RYAN), who is well known and well regarded as he addresses national economic issues.

Mr. RYAN of Ohio. Madam Speaker, I thank the gentleman for his leadership on this.

The last time there was tax reform was 31 years ago. Since then, 96 percent of income growth went to the top 10 percent of the people in the country. Ninety-six percent went to the top 10 percent. The top 1 percent control 90 percent of the wealth in this country.

Sixty-three percent of average families in the United States of America could not withstand a $500 emergency.

We have pensions collapsing, we have communities that have eroded, wiped out, and the Republican plan to fix all of this is to go to the Chinese Government, borrow $2.3 trillion and bring it back to the United States and give it to the wealthiest people in this country.

That is not going to fix a damn thing in the United States. It is not going to help Flint, or Springfield, or Youngstown, or Pittsburgh, or Gary. I am talking about Gary, Indiana, will get hammered from this thing.

□ 1830

We have tried this before, and many of you were here. President Bush did

this. He said: We are going to cut taxes for the wealthy. It is going to lead to growth. Wages are going to go up.

We had the most stagnant decade of growth since the Great Depression, and it ended in a complete economic collapse. This is a canard. This economic philosophy stinks. It doesn't work, and it hammers working class people.

To put a little salt in the wound, Madam Speaker, you keep the deduction that allows a corporation to outsource jobs from our communities to other countries.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. NEAL. Madam Speaker, I yield an additional 30 seconds to the gentleman.

Mr. RYAN of Ohio. Madam Speaker, the only place this is going to create a job is in Beijing, China.

Mr. ROSKAM. Madam Speaker, as you know, the good news is, according to the Joint Committee on Taxation, 70 percent of the individual tax relief goes to families earning under $200,000, according to their publication on November 13.

Madam Speaker, I yield 1 minute to the gentleman from Florida (Mr. RUTHERFORD).

Mr. RUTHERFORD. Madam Speaker, I thank the gentleman for yielding.

Madam Speaker, I think no one in this Chamber can dispute when I say that America's Tax Code is broken. I rise today to stand with my colleagues in support of progrowth tax reform because our Tax Cuts and Jobs Act works for the middle class.

For too long, a complex Tax Code, high rates, and burdensome regulations have held back opportunities for hardworking families. The Tax Cuts and Jobs Act offers much-needed tax relief for low-income and middle-income Americans.

It focuses on middle class tax cuts that allow hardworking Floridians to keep more of their paychecks so that they can save for their children's college fund, so that they can invest in their retirement, so that they can enjoy vacations with their family.

Florida families know how to spend their money better than the government, and this plan allows them to keep more of the money that they earn instead of waiting for tax returns and deductions to give them their money back.

This bill is profamily. It is probusiness, and it will give our economy a boost. Nothing will address our debt more than growth.

Madam Speaker, I urge my colleagues to support this bill.

Mr. NEAL. Madam Speaker, I yield 2 minutes to the gentleman from California (Mr. MCNERNEY), well-known as a champion of America's middle class.

Mr. MCNERNEY. Madam Speaker, I want to thank the ranking member of the committee for his hard work on this. He has been a great voice.

Madam Speaker, this is a harmful and deceitful bill. It is strictly partisan. We have learned over the years, if you do something strictly on a partisan basis, it isn't going to work. It is going to fall apart. It will come back to you. I am telling you, learn from our mistakes. Work with us.

There hasn't been a single hearing on this bill.

Is the public out there confused? They should be because they haven't been informed about what this bill does.

It was rushed through in 1 week. It takes more than a week to name a post office around here.

What is the deal? What is going on here? No one really understands the consequences of this bill, but I can tell you what it does.

It will greatly reduce taxes for corporate America. It will reduce taxes for the wealthy.

So where do you think the money is going to come from to pay for Social Security? to pay for our roads and highways? to pay for our education? to pay for Medicare? If you haven't guessed, it is going to come from the middle class. There is no other way we can pay for this.

So I will be kind and say maybe they are being overoptimistic. Maybe they don't really understand what is going on there, but don't believe it. You are going to pay more taxes. It is going to come out of your hide.

And when I sit down, the Member from Nebraska is going to say that, in my district, you are going to get $1,200 more or $1,700 more. No. You are going to pay more. You are not going to get more money back.

In California, 6 million people will lose their tax deductions, the State income tax deduction. What does that mean? That means you are going to pay taxes twice on your earned income. In California, homeowners are going to get hit hard. I don't see how anyone from California can vote for this bill.

Education will be more expensive; student loans will not be deductible. This bill will hurt our Nation's ability to compete.

What does that mean? It means lower pay. It means layoffs.

This tax overhaul is a big lie. We should oppose this bill and start over and do it right.

Mr. ROSKAM. Madam Speaker, the good news is it is not $1,200. It is not $1,700. It is $1,900 for the median household in California's Ninth District.

Madam Speaker, I yield 4 minutes to the gentleman from Missouri (Mr. SMITH), a great friend of agriculture and a great friend of small business.

Mr. SMITH of Missouri. Madam Speaker, a lot has been said today on the floor about the Tax Cuts and Jobs Act from my friends on the other side of the aisle. They think that this bill before us will make losers of the American workers or of the American economy. The truth is the status quo—our current broken Tax Code—is causing our workers and our economy to lose.

Back in southeast Missouri—I will give you an example under the current Tax Code—a machinist in Poplar Bluff, Missouri, working 40 hours a week is fearful to work harder because the more money that they make, the less that they will have percentagewise under our current Tax Code. That is simply not right, Madam Speaker.

Back in southeast Missouri, a cotton farmer in Hayti has worked for decades to build his family farm hoping to pass it on to his daughter. Yet, under the current system, his daughter would have to sell portions of the farm or take out a massive loan to continue the family operation.

The status quo in our Tax Code is rigged against the American taxpayer. They can't afford an army of lawyers, accountants, and lobbyists to find all of the loopholes and the bailouts available only to a select few.

The status quo are tax rates for businesses that are so high that the American companies are not able to grow, hire new workers, or be competitive with other countries around the world.

The other side of the aisle was arguing to keep a broken Tax Code that is punishing hardworking taxpayers. All of the grandstanding leaves us with one question that needs to be answered for the American people: What do these tax cuts mean for you? It means that the hardworking family in southeast Missouri will keep more of their paycheck.

Instead of being penalized for success, this bill is about employees. It is about wages. It is about getting to keep more of what you earn. For families and couples, the first $24,000 you earn under this bill will be tax free. You get to keep it. You get to decide how to spend your own money, not the government.

It means that the small businesses and family farms won't feel the sting of the IRS and the death tax when tragedy strikes their family.

It means that lobbyists and special interests become the losers. We close loopholes in handouts that the hardworking taxpayer can't get.

We are ending a Tax Code that isn't built for the everyday American. We are making it simple and fair. It means that America can now compete and win again.

With this bill, we lower the business rate to historic levels. We are making our economy healthy again. We know from history that a healthy economy takes care of itself. It is more stable and sustainable. It provides for full employment, better jobs, and higher wages.

Former President John F. Kennedy knew this when he said: ''Our true choice is not between tax reduction, on the one hand, and the avoidance of large Federal deficits on the other. It is increasingly clear that no matter what party is in power, so long as our national security needs keep rising, an economy hampered by restrictive tax rates will never produce enough revenue to balance our budget just as it will never produce enough jobs or enough profits.''

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. ROSKAM. Madam Speaker, I yield an additional 30 seconds to the gentleman.

Mr. SMITH of Missouri. Madam Speaker, surely, the lesson of the last decade is that budget deficits are not caused by wild-eyed spenders but by slow economic growth and periodic recessions. Any new recession would break all deficit records.

This bill makes the American worker, the American family, the American farmer, the American small businesses, and the American economy winners once again.

Madam Speaker, I urge all of my colleagues to vote ''yes'' on the Tax Cuts and Jobs Act.

Mr. NEAL. Madam Speaker, 28,000 people will use the student loan interest deduction in Missouri's Eighth District, claiming nearly $33 million in deductions.

Madam Speaker, I yield 2 minutes to the gentleman from California (Mr. RUIZ), a medical man and Congressman.

Mr. RUIZ. Madam Speaker, I thank Ranking Member NEAL for the opportunity to speak on this bill.

The fact is I do want to simplify our Tax Code and I do want tax reform, a tax reform that relieves the burden on our middle class, our seniors, our veterans, and our students. But let's just see how this bill fares with the middle class, seniors, veterans, and students.

My middle class constituents in California will be double-taxed on their income, but big corporations will get tax relief.

Veterans in my district will find it harder to find work or a home because this bill eliminates tax credits for hiring veterans and harms efforts to end veterans' homelessness.

Middle class homeowners across California will see the value of their homes decrease by as much as 10 percent.

Students will get hit with the largest relative tax increase in this bill.

Seniors will see a Medicare cut by $25 billion a year. That is over $100 billion of Medicare cuts over the next 4 years.

And 38 million middle class families will see their taxes increase. They always point to this family of four earning $59,000 getting a certain amount of tax cuts, but 38 million middle class families will see their taxes increase, all this while giving tax breaks to millionaires, billionaires, and corporations who ship jobs overseas and raise the deficit by $1.44 trillion within 10 years. In fact, nearly 80 percent of the tax cuts in this bill go to millionaires, billionaires, and multinational corporations that ship jobs overseas.

The bottom line is this bill raises taxes on the middle class and gives tax breaks to billionaires. This is irresponsible and unacceptable.

Madam Speaker, I urge my colleagues to oppose this bill and protect Medicare, protect the middle class, protect seniors, protect veterans, and protect students.

Mr. ROSKAM. Madam Speaker, if you are in California's 36th District and your median household income is $58,000, it looks like a tax cut of $1,090.

I am informed that our friends on the other side have more time, and my suggestion is that our friends use some of their time to get back in balance.

I reserve the balance of my time.

Mr. NEAL. Madam Speaker, how much time do I have remaining?

The SPEAKER pro tempore. The gentleman from Massachusetts has 1 hour 16¼ minutes remaining.

Mr. NEAL. Madam Speaker, I just happen to have the nephew of former President Kennedy here who is going to set the record straight on that quote that was attributed to President Kennedy just a few moments ago.

Madam Speaker, I yield 2 minutes to the gentleman from Massachusetts (MR. KENNEDY), a very good member of the Massachusetts congressional delegation and my friend.

Mr. KENNEDY. Madam Speaker, I thank my friend and mentor in the House, the dean of our delegation from Massachusetts (Mr. NEAL), for his leadership on this issue and so many others.

Madam Speaker, I am always heartened by the quotes of President Kennedy offered by any Member of this body. I would like to think that they would seek to emulate him not just on the marginal tax cuts that were put forth some 50 years ago, but also on his stance on immigration, on civil rights, and on Russia.

□ 1845

But those are issues for another day, Madam Speaker.

The issue today is a vote that we will take on this floor tomorrow to rewrite an American Tax Code that will touch every single American life.

True tax reform is complicated, it is cumbersome, and, above all else, it is deeply personal. But this bill is none of those things. It is a massive, permanent handout to corporations passed off on American families. It is a terrifyingly precise attack on patients with chronic illness, a heartless roadblock for low-income students, and a choice to value inherited wealth more than hard-earned income.

It is a gift to corporations paid to the richest among us, and it is paid for by long nights, by double shifts, by vacations not taken, and of hardworking American families sacrificing for their hope for a better tomorrow.

You are asking them to fortify your tax cuts and stock options with their classrooms, your corporate profits with their roads and bridges, your balance sheets with their hard-earned retirement and healthcare benefits.

For all the talk about the boost to corporate profits, 80 percent of the stocks in this country are owned by 10 percent of Americans. Ask yourself who is going to actually be the beneficiary of all that money. That is what this bill does.

You have heard from my Republican friends over the course of the past couple days about how much this will save the average American family, but not about the 36 million people and families who will experience a tax hike.

What they aren't telling you is what is going to happen the moment this bill is passed. Luckily for the American public, one of the chief economic advisers to the President has said so. He said that after this bill is done, they are turning directly toward welfare cuts, Social Security, Medicare, and Medicaid. So when you hear questions about how much this bill is going to save you, ask how about your retirement. These cuts go right to Social Security.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. NEAL. Madam Speaker, I yield the gentleman from Massachusetts an additional 30 seconds.

Mr. KENNEDY. Madam Speaker, ask them how much more money that $1,000 is going to save you when your healthcare benefits are taken away. By the way, that clause just got added over in the Senate.

Ask them how much more some savings might go for one family when you gut and shred a social safety net that has powered the greatest expansion of economic growth that this country has ever seen.

That is what your bill does. That is what this bill means. That is what this bill is about. It is about the values envisioned of an America, about a tax structure that should reflect the values of the American family, not the values of corporate balance sheets.

The SPEAKER pro tempore. Members are reminded to address their remarks to the Chair.

Mr. NEAL. Madam Speaker, I yield 2 minutes to the gentleman from Maryland (Mr. RASKIN). Congressman RASKIN is a well-known champion of civil liberties and a scholar of the law.

Mr. RASKIN. Madam Speaker, as my friends across the aisle prepare their statistics about my congressional district where 500 people rallied against the tax plan this last weekend, I want to invite them to come to my district and to debate me and several other members of our caucus. I am happy to come to the gentleman's district and debate it, too, because the American people should be able to be part of this decision.

When the majority voted to throw 30 million Americans off of their health insurance plans, they went over to the White House where they celebrated like it was Mardi Gras, the Super Bowl, and Herbert Hoover's birthday all put together. When millions of middle class Americans rebelled and defeated that monstrosity of a bill, Donald Trump pointed at them and said that they had all voted for a mean bill; and he was right.

Now like lambs to the slaughter, they are about to vote for another mean bill, a tax scam written by corporate lobbyists in the dark of night

now moving through Congress at the speed of light.

While our poor colleagues grimly walk the plank for the billionaires, Wall Street tycoons, and the Trump Cabinet, who are getting ready to laugh all the way to the bank when middle class Americans rebel again this week, next week, and the week after that, and this tax scam bites the dust, President Trump can turn around again and call this monstrosity not only mean, but greedy.

This mean and greedy tax scam puts $1.5 trillion on America's credit card so the sons and daughters of the middle class can pay the rest of their lives for a gigantic corporate tax cut in a period of record corporate profits.

One-third of the windfall raining down on corporate investors will go abroad because more than one-third of corporate wealth is owned by foreign investors. That is more than $500 billion that goes not even to our own rich people but to Saudi Arabia, China, and other foreign investor havens, and it will not go to Medicare or Medicaid or other public purposes at home.

Then they move to the so-called territorial tax system so that corporate profits moved abroad will escape our normal system, giving incentive to record job flight. Somebody tell Donald Trump about this because this tax scam puts foreign jobs first.

The SPEAKER pro tempore. The time of the gentleman has expired.

Mr. NEAL. Madam Speaker, I yield the gentleman from Maryland an additional 1 minute.

Mr. RASKIN. In the meantime, Madam Speaker, 34 million middle class Americans get hit with a tax increase. Good-bye to the healthcare deduction. Good-bye to the college loan interest deduction. Farewell to a meaningful State and local tax deduction—oh, and farewell to the estate tax which applies only to billionaires and the richest millionaires in the country, 2 out of 1,000 families. Where is the democracy? Where is the legislative process?

When we had a bipartisan bill in 1986, we took more than 2 years. It passed with overwhelming support. Now this tax scam has had no hearings, no experts, and no citizen testimony. What a scandal it is. We do need tax reform, but we don't need a corporate tax scam imposed against the middle class.

Mr. NEAL. Madam Speaker, I yield 2 minutes to the gentlewoman from California (Ms. MAXINE WATERS), who is the ranking member of the Financial Services Committee.

Ms. MAXINE WATERS of California. Madam Speaker, I rise today in opposition to H.R. 1, which is just a continuation of Republicans' relentless attack on working families. This is not a tax plan; it is a tax scam.

This President won't disclose how he is going to benefit from this tax scam. He has disrespected us all. This tax scam will eliminate the student loan interest deduction. It will eliminate State and local tax deductions on income. It will restrict the mortgage interest deduction.

It is estimated that 47 million taxpayers face a tax hike. Almost half of any tax cuts will go to the richest 1 percent. Residents of my State of California will face the largest net tax increase totaling $12.1 billion in 2027 alone.

Madam Speaker, I call on the President of the United States of America to show his tax income and to show his tax plan. He needs to let us know what he is all about and what his taxes are. From the very beginning, he said he couldn't show them at the time that he was asked when he was first inaugurated into this Presidency, but time has passed. It is time for the President to show us his tax returns, rather than coming up with a tax scam asking everybody else to pay up, to pay more, and saying that this is a middle class tax cut when it is not.

We want to know more about him and his plan. So with my 1 minute, my 2 minutes, whatever it is, this evening is all about saying a message to the President.

Even though I will be cautioned that I am not to talk to the President, I am calling on the President: Show your tax returns.

The SPEAKER pro tempore. Members are reminded to address their remarks to the Chair.

Mr. ROSKAM. Madam Speaker, there is a message for California's 43rd District, and that is a benefit of $1,395 if H.R. 1 is passed into law.

Madam Speaker, I yield 1½ minutes to the gentleman from Illinois (Mr. LAHOOD).

Mr. LAHOOD. Madam Speaker, I want to thank my colleague from Illinois for his commitment and dedication to this terrific bill that we have before the House tonight.

Madam Speaker, the people of Illinois are unfortunately all too familiar with high taxes and the burden they put on families and our local businesses. At the Federal level, things have become just as bad with a Tax Code that is over 74,000 pages long and riddled with loopholes.

Over 30 years have passed since the last time Congress passed comprehensive tax reform, and you can see the effects of our outdated Tax Code everywhere. We have stagnant hiring, stagnant wages, and a stagnant economy that is holding back our middle class instead of helping them get ahead.

H.R. 1, the Tax Cuts and Jobs Act, is our chance to change all of this. By simplifying our Tax Code and bringing real relief to everyday families, we can, once again, jump-start the American economy and get it back to working for the middle class.

The choice before us is a simple one: Do we support this bill and support the middle class, or do we embrace the status quo? That is why I urge my colleagues on both sides of the aisle to come together and vote for this bill. Let's send a signal that we don't stand for the status quo. We stand for growth and economic opportunity for the American people. Let us bring relief to the middle class. Support this bill.

Mr. NEAL. Madam Speaker, I yield 3 minutes to the gentlewoman from Alabama (Ms. SEWELL). Congresswoman SEWELL is an attorney and a Marshall Scholar.

Ms. SEWELL of Alabama. Madam Speaker, our Tax Code is a statement of our values, and I can tell you that this tax bill doesn't reflect my values nor those of the American people. This bill favors the wealthy over the middle class, it favors corporations over the working families, and it favors special interests over everyday Americans.

Madam Speaker, this tax bill raises taxes for 36 million middle class Americans, and it cashes a check for $2.3 trillion worth of debt that will be left for our children and grandchildren to pay.

This tax bill gives permanent tax cuts for corporations and multinationals while making the tax cuts for regular taxpayers temporary.

This tax bill preserves tax deductions for certain industries but does away with tax cuts in the Code that help everyday Americans. It eliminates the deduction for State and local taxes. It also limits mortgage interest deductions and limits the medical expense deduction affecting 9 million households.

The independent group, the Tax Policy Center, estimates that almost half of the tax cuts, 47 percent of the tax cuts, will go to the top 1 percent.

Madam Speaker, this bill devastates education. Education is truly the investment in our human capital, our workforce. It eliminates deductions for interest on student loans. It eliminates deductions for teachers who buy supplies. It eliminates lifetime learning credits, and it eliminates employer tuition assistance.

This bill adds a special tax on the endowments of colleges and universities which will reduce scholarships and increase the cost of college for average, everyday Americans.

Cities and towns will be decimated by this bill. This bill eliminates tax incentives such as private activity bonds, new markets tax credits, and historic tax credits which dramatically affect the ability to build libraries and hospitals, and to fund roads, bridges, and broadband infrastructure. These are critical investments, Madam Speaker, in the public service that spur economic growth.

Madam Speaker, this tax bill has it backwards. This Congress should value its constituents first, not Wall Street, and not special interests—its constituents first.

Madam Speaker, I urge my colleagues to vote against this tax bill because it doesn't represent the values that our constituents sent us here to this hallowed place, Congress, to represent. We should be representing them and not the special interests.

Mr. ROSKAM. Madam Speaker, I yield myself 30 seconds to just do a quick, little cleanup.

There was a discussion a minute ago by the gentlewoman from Alabama where she was talking about teachers, for example. Let's get right to that. Teachers won't be harmed by shifting the status quo because what they are getting right now is a $250 deduction which is worth about $37 at the 15 percent tax rate, receipts that they have to keep all year long in an envelope and apply it at the end in terms of doing their taxes.

We say: Dump that. Let's get away from that. Let's double their standard deduction, lower their rates, and give them some real money.

Madam Speaker, I yield 4 minutes to the gentlewoman from California (Mrs. MIMI WALTERS).

Madam Speaker, I ask unanimous consent that the gentleman from Texas (Mr. BRADY) control the balance of my time.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mrs. MIMI WALTERS of California. Madam Speaker, I rise to engage the gentleman from Texas (Mr. BRADY) in a colloquy.

Madam Speaker, tax reform will result in economic growth across the country, especially in my home State of California. I thank the gentleman for his dedication to this important effort.

Madam Speaker, my home State is uniquely positioned in this tax debate. Due to the liberal tax-and-spend policies enacted by the California State Legislature, my district in Orange County is one of the most expensive places to live in this country. California has the highest personal income tax rate in the country, reaching a crushing 12.3 percent. The median home price in my district is almost $800,000. California also has the highest gas tax in the country.

While this bill makes important reforms that will grow our economy, I have serious concerns that some of my constituents may be worse off. As Sacramento continues to confiscate more and more of California's hard-earned paychecks, we must ensure that Washington does not put similar tax burdens on our constituents.

I ask the chairman of the Ways and Means Committee to assure me that we will ensure that individuals and families in my district are protected from such unintended outcomes.

Mr. KNIGHT. Will the gentlewoman yield?

Mrs. MIMI WALTERS of California. I yield to the gentleman from California.

□ 1900

Mr. KNIGHT. Madam Speaker, if you want to demonize or scare people, you come down and yell and scream and raise your hand and you say things that they haven't looked into.

What I did was talk to people in my district and looked at their rates and said: Let's look at your taxes and kind of work them through.

I found that people in the lower-income rate in my district got relief. People in the middle-income rate got relief. This happened right across the board to everyone we kept talking to.

So I would say that, before you come down and yell and scream and try and scare people on something you might have heard from a talking head, actually work with your people. It works.

Madam Speaker, if this bill is enacted, it will result in economic growth across the country, especially in my home State of California. The lower rates for individuals, families, businesses, and the tax simplicity and certainty offered by this bill will provide net tax relief to the middle class and our country's job creators.

We expect this bill to create nearly 1 million jobs nationwide, and nearly 10 percent of those in California.

While the bill makes commendable strides toward a fair, simpler Tax Code, I am concerned about how the bill could impact some of my constituents as a result of the high level of income taxes imposed on them by our State government.

I would ask the Chairman of the Ways and Means Committee if he can assure me that we continue our work and ensure the families in my district are protected from such unintended consequences and that they will be able to fully enjoy the benefits of this bill.

Mr. BRADY of Texas. Will the gentlewoman yield?

Mrs. MIMI WALTERS of California. I yield to the gentleman.

Mr. BRADY of Texas. Madam Speaker, I thank both the gentlewoman and the gentleman for stepping forward and being such strong advocates for taxpayers in a State that taxes its families and businesses, I think, almost beyond belief.

Our goal in tax reform is to achieve tax relief for families and individuals across the country, regardless of where you live, and across all incomes, while, at the same time, unleashing the economic engine for American economic growth.

California, by the way, under tax reform, is the number one job creator under the new Tax Code.

So I agree with the gentleman and the gentlewoman. There are still some areas where we want to make and will make improvements in this bill. If they will work with us to continue to move this process forward, I am happy to commit to working with both of them to ensure we reach a positive outcome for their constituents and families as we reconcile our differences with the Senate.

Madam Speaker, I reserve the balance of my time.

Mr. NEAL. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, 33 percent of Mr. KNIGHT's constituents derive a $16,000 annual benefit from the State and local tax deduction.

In the case of the gentlewoman from California, 37 percent of her constituents enjoy an $18,200 State and local tax deduction benefit.

Madam Speaker, in closing, more than anything else, this is, as I opened with, a missed opportunity.

We all know what is wrong with this Tax Code. We could have found areas of compromise emphasizing the middle class and middle-income earners. We understand that the Tax Code that American corporations use is not competitive now internationally, but we wanted some relief for middle-income people.

So here is where the investment could have taken place. We could have begun an investment in human capital. You have heard it tonight. We should all be alarmed by labor participation rates in America. We all should be alarmed by what has happened in the post-war period where, at one time, it was 63 percent, and now it is 63.8 percent.

It is about technology; it is about globalization, for sure; but it is also about skill set. Eighteen thousand precision manufacturing jobs in New England go unanswered, the smallest geographic region of the country. The Department of Labor reported this week that 6 million jobs in America go unanswered. It is part of a skill set issue.

You know what else we need to be concerned about?

Two million people in America are addicted to opioids. That is what we should be concerned about as well as getting them back into the workplace through the trampoline effect, where they hit it and bounce back up into the mainstream. But that is not what we did.

Without any hearings, without any chance for the minority to participate, in terms of substance, we moved forward.

I want to say to the last two speakers, they are sincere enough. We have heard now four different people come to the well of this House on the other side and say to the chairperson of our committee and a friend: Are you going to fix this after the bill leaves here?

Four different people asked for a fix. I want to tell you, based on long experience in this House, the path gets more narrow as it leaves this House. It doesn't grow more expansive. It will be harder to fix these things because of the budget score that was embraced.

In 2001, we were promised widespread economic growth when President Bush took the Clinton surplus and offered $1.3 trillion worth of tax cuts. When you look at the distribution tables, they were right about one thing: everybody did get a tax cut. But then you look at those tables and you say: Let me examine who got what.

In 2003, we came back and the President proposed $1 trillion worth of tax cuts based on the premise of economic growth, which didn't happen.

By the way, in 2004, there was repatriation, which may be the granddaddy of them all. Well, we are going to repatriate those holdings offshore at 5¼ percent on the premise of job growth. And there was none.

We had this opportunity to do this together, as I described with worker participation rates, understanding that most families now are not having large numbers of children any longer. This should have been about immigration reform attached to it as well. We all know skilled workers from overseas are going to be an important part of the American economy, and we should be embracing that, along with sensible tax policies based upon some relief for the middle class.

Instead, we are taking away the ability of American students to deduct interest on their loans to pay for a tax cut for people at the top?

We are taking away a medical expense deduction for people who have Alzheimer's disease to pay for the tax cut for people at the top?

We are assessing universities and colleges a new, special tax to pay for tax cuts for people at the top?

We could have had this conversation. We acknowledge what President Reagan and Speaker O'Neill did because it was based upon good will and commonality and not needing just a political victory. Day after day they plowed through with 450 witnesses in front of the Ways and Means Committee.

How many witnesses did we have in front of the Ways and Means Committee?

Zero.

How many hearings did we have on this tax bill?

Zero.

We saw the manager's amendment and were given 20 minutes to review it. I don't mean 25 minutes. I mean 20 minutes. Back to regular order. We should scrap this bill.

To those who are vulnerable on the other side, I would not be trusting of the idea that these issues are going to be fixed after you cast this vote tomorrow morning. There will be an opportunity to go back and redo this if the other side would say: Let's find a meaningful path to cooperation between the two parties.

That is all we are asking for on this side: include us in this discussion so we might invest in community colleges, vocational education, internship programs, skill set training, and answer the call of globalization.

We still have innovation and creativity that far surpasses the rest of the world. There is nothing we can't answer in America without those healthy investments that we need.

Instead, when you look at these distribution tables that are proposed as to who is going to get what; taking away the alternative minimum tax for the 4.5 million families that pay it; asking students to give up their student interest deduction; the estate tax, which we are repealing; and we are asking that loved ones who have Alzheimer's and being cared for at home to give up that medical deduction to pay for all of that, it makes no sense whatsoever. But there is an opportunity, Madam Speaker, to reverse course.

In my years here, I can tell you this: Anybody who thinks that the United States Senate is going to accommodate their wishes, when they see the goalpost and the goal line of a handful of Members of this House, they are making a miscalculation.

We have heard tonight they are going to do something about state and local tax deduction, they are going to do something about the historic tax credit, and they are going to revisit these issues.

Do you know how difficult that is going to be, Madam Speaker?

That is going to be nearly impossible.

On top of that, they are going to go back and try to appeal the Affordable Care Act again and take 13 million people away from their insurance so that we can have a tax cut that further concentrates wealth for a handful of people in America?

This is the House of Representatives, Madam Speaker, not the House of Lords. We don't serve here by peerage. We are not entitled to anything here. Most of us come from pretty modest backgrounds. That is the principle we should be honoring in this tax debate as we discuss who is about to pay what and what the rewards ought to be for the hardworking men and women.

This is last note I am going to express before I yield back my time. What about those 1 million veterans who have served us honorably in Iraq and Afghanistan?

New veterans, what about them?

Are we going to eventually cut their benefits with Social Security and Medicare and Medicaid and put it all on the chopping block as we attempt to further concentrate wealth in America, particularly for unearned income, by the way?

That is where we are heading.

We should honor the skills of those men and women who get up every day and strive and work hard in this country with a sense of purpose and great patriotism. That is what we should be acknowledging in this debate.

I am looking forward to tomorrow morning, when we conclude this debate and spend the 2 hours discussing more of what we have witnessed here tonight. There will be more than enough enthusiasm on our side. They will be lined up to RFK Stadium to participate tomorrow morning in this debate. That is how important this is to the future of the American people.

Madam Speaker, I reserve the balance of my time.

Mr. BRADY of Texas. Madam Speaker, I yield myself such time as I may consume.

Madam Speaker, Washington is just hilarious.

Lawmakers back home tell everyone they are for tax reform, until it comes actually time to do it. Everyone says they want a fairer, flatter, simpler Tax Code, as long as you keep every special interest provision in this big, fat, messed-up Tax Code.

Everyone says they want to give people back more of what they earned and get Main Street businesses going, as long as you don't change anything in the Tax Code. As long as the lobbyists win and the American people lose, they are willing to talk about it.

House Republicans are actually acting on tax reform for the first time in 31 years.

In Washington, they sneer at that family of four back home making $59,000 a year. That is the average household. Under our tax reform, they pay $1,182 less that they keep in their pocket. Washington makes fun of that. That is real money for families.

A firefighter making $48,000 a year keeps over $1,300. That single mom working hard every day making $30,000 a year has a $700 larger refund than she gets today.

That Main Street startup business working I don't know how many hours, making $62,000 a year—that was my Chamber of Commerce member right there—in that startup business, they keep $3,007 more than they do today. Washington just laughs at that. But it is real money for real people.

In my district, a family of four making $90,000—two teachers—keeps $2,176 more every year of their life from this.

My friends on the Democrat side now worry about the debt. I remember the first year Democrats took control of the House, they doubled the deficit. The second year, they tripled it. The third year, it went to $1 trillion. It stayed that way until the American people gave the House back to Republicans.

They love spending money and raising the deficit when they let Washington grow, but when it is time to grow jobs and paychecks, all of a sudden they are worried about the debt.

The truth of the matter is we want to keep this debt and deficits going. Don't change anything. Keep this slow-growth economy, keep spending, and I guarantee you debts and deficits will grow.

We are talking about growing jobs, growing paychecks, and getting back to a balanced budget by getting this economy moving in a big way.

At the end of the day, it is time to end the status quo in Washington, D.C. Americans deserve a fair, flatter Tax Code, one that closes loopholes and ends special interest deductions so that Americans can keep more of what they earn, so their paychecks can raise and our businesses can compete and win anywhere in the world, especially here at home America.

It is time our jobs start coming back to America, rather than watching them go: our jobs, research, manufacturing patents, our headquarters. That era is over, and it starts with H.R. 1, the Tax Cuts and Jobs Act.

We will continue this debate tomorrow, Madam Speaker, so we will continue to deliver tax reform and tax cuts for the American people.

Madam Speaker, I reserve the balance of my time.

The SPEAKER pro tempore. Pursuant to clause 1(c) of rule XIX, further consideration of H.R. 1 is postponed.

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HISTORIC TAX REFORM FOR THE AMERICAN PEOPLE

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2017, the gentleman from Louisiana (Mr. JOHNSON) is recognized for 60 minutes as the designee of the majority leader.

GENERAL LEAVE

Mr. JOHNSON of Louisiana. Madam Speaker, I ask unanimous consent that all Members have 5 legislative days to revise and extend their remarks and include any extraneous material in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Louisiana?

There was no objection.

Mr. JOHNSON of Louisiana. Madam Speaker, we have heard a lot in this debate today. One thing is abundantly clear. Virtually every hardworking citizen in this country recognizes our genuine need for tax reform.

Let me summarize some of the facts that have been presented today.

The burdensome 70,000-page U.S. Tax Code has grown to be unreasonably complex, increasingly unfair, and filled with special interest loopholes. American companies are taxed at the highest rate in the industrialized world, and the government takes even more from our small-business owners and our entrepreneurs. As a result, our economic growth is stagnant, companies have gradually shifted their manufacturing and operations overseas, and families are struggling just to keep up.

Today, the hurdles in our system seem almost insurmountable for hardworking people as they are afforded fewer and fewer opportunities for economic mobility.

For previous generations, it was a different deal. We had the American Dream. The American Dream was defined by a simple promise: if you were willing to work hard and sacrifice and play by the rules, you could make a better life for yourself and your family. But today, our outdated Tax Code has pushed that dream beyond the grasp of more and more people.

The good news is we can fix this problem, and we are going to do that in this Chamber tomorrow. For the first time in over 30 years, Congress has a historic opportunity to pass landmark tax reform that will be a turboboost to this economy, and it is going to lead us to a fairer system, as we said so many times, with more jobs and bigger paychecks for everyone.

Our Tax Cuts and Jobs Act, H.R. 1, will deliver significant tax reductions for low- and middle-income earners, and it will help Americans in every level of our economy. The bill, which draws from 6 years of intensive work and expert analysis from more than 40 different congressional hearings, lowers individual income taxes by consolidating the existing seven brackets into four and doubling the standard deduction for everyone.

It also establishes a new family tax credit. It provides higher education benefits. It repeals the death tax. It preserves deductions for mortgage interest and charitable donations and property taxes, and it incentivizes saving for retirement.

Tax returns will become incredibly simple for the first time in my lifetime because 9 out of 10 Americans will be able to complete their annual filing on a form the size of a postcard.

The bill's business tax reforms are equally seismic because we are going to slash our draconian corporate tax from 35 percent, the highest in the world, to 20 percent, and we are going to institute the lowest rates for small business job creators since World War II. U.S. companies will finally be allowed to compete again on a level playing field and bring their jobs and operations back home from overseas.

The independent Tax Foundation estimated that our plan will result in the creation of approximately 975,000 full-time American jobs and an increase in family incomes of 4.4 percent, on average. In Louisiana, for example, that would mean 13,293 new jobs and $1,857 of additional after-tax income for our average middle class families.

The American people have long deserved a simpler, fairer, and effective system that rewards hard work and allows taxpayers to keep and invest more of what they earn. Our plan will finally provide that relief and spark the dramatic economic growth our Nation has so desperately needed.

The Tax Cuts and Jobs Act is about more than just smart legislation. It is about a revival of that American Dream I referenced. That has one agenda that should unite every single one of us, and we hope all of our colleagues will support this historic landmark piece of legislation tomorrow.

Madam Speaker, I yield to the gentleman from North Carolina (Mr. BUDD), a great American small-business owner himself.

Mr. BUDD. Madam Speaker, I thank my friend, the gentleman from Louisiana, for yielding.

Madam Speaker, as my colleagues in this body know very well, it has been many years since we have reformed our Tax Code. Over the last few decades, Congress has cut some taxes here and there, but we are overdue for meaningful tax reform.

Hardworking taxpayers in North Carolina are right to ask why it has been so long since we have even reformed our Tax Code. The unfortunate truth is that, for many years, Congress has thrown up the white flag in defeat against K Street lobbyists, and they settled for preserving the status quo. However, tomorrow, we have a rare opportunity to finally deliver a tax bill that puts working families first. The Tax Cuts and Jobs Act would be the biggest overhaul to our Tax Code in 30 years.

To quickly summarize, this bill would collapse our tax brackets from seven to four; it would double the standard deduction and get rid of many lobbyist loopholes; and it would slash the corporate tax rate to 20 percent, which would allow America to compete and to win.

The nonpartisan Tax Foundation found that, if we passed this bill into law, American workers would see a 3 percent increase in their wages, and our country would see nearly 1 million full-time jobs created.

Madam Speaker, yesterday, my office received a letter from a constituent of mine that said: ''As a manufacturer and constituent, I urge you to support tax reform and legislation that will fix our Tax Code that has held manufacturers back for far too long.'' This is just an example of the many letters I have received in favor of this reform effort.

In addition to letters of support that I have received, studies show that, if we pass this bill, a typical household would see their taxes cut nearly $2,000.

Let's think for a second what this means. Instead of the IRS taking it, families could spend it on their children. They could put it in their savings, or they could pay off debts.

I am supporting this bill so we no longer hold manufacturers back from success. I am supporting this bill because it would make life simpler and easier for job creators, savers, and hardworking families.

Last week, in this body, I addressed the fact that there are certain provisions within this bill that my colleagues and I may differ on, and I noted that that is just always going to be the case, but I also suggested that we ask ourselves three questions.

The first question was: Does this bill cut taxes for the vast majority of hardworking American families?

The second was: Will it bring back jobs?

And the third question was: Will this bill simplify the tax filing process for working families next year and in the years to come?

Madam Speaker, the answer to all three of those questions was ''yes.'' I urge my colleagues to vote tomorrow in favor of the Tax Cuts and Jobs Act.

Last year, President Trump promised to cut taxes for working families, and that is exactly what this bill will do.

Mr. JOHNSON of Louisiana. Madam Speaker, I yield to the gentleman from Texas (Mr. ARRINGTON).

Mr. ARRINGTON. Madam Speaker, I thank my dear friend and distinguished colleague from the State of Louisiana