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ISCPA's "One Big Beautiful Bill Act* – What is in the New Law?"

Presented by Ed Zollars

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One Big Beautiful Bill Act* - What is in the New Law?

Edward K. Zollars, CPA (Arizona), Thomas, Zollars & Lynch, Ltd.



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** The name of the bill is not technically the One Big Beautiful Bill Act, but see the manual for an explanation*

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This document is not tax advice and is not meant to be relied upon by readers providing tax advice. These materials are meant to be used to assist in learning about tax matters covered in the One Big Beautiful Bill.

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Learning Objectives

Upon completion of this course, you will be able to:

- **Recognize and apply the permanent extensions and enhancements** to individual tax provisions, including **reduced tax rates**, **increased standard deductions**, and the **child tax credit**, as well as the **new temporary senior deduction**.
- **Understand and advise on the new, temporary individual deductions** for **qualified tips**, **overtime compensation**, and **car loan interest**, and the establishment of **Trump Accounts**.
- **Explain the permanent full expensing (100% bonus depreciation)** for qualified business property and the **full deduction for domestic research and experimental expenditures**.
- **Identify and interpret the permanent America-First international tax reforms**, including **modifications to foreign tax credits**, changes to **Foreign-Derived Deduction Eligible Income (FDII)** and **Net CFC Tested Income (formerly GILTI) deductions**, and the **increased Base Erosion Minimum Tax (BEAT) rate**.
- **Analyze key changes impacting Premium Tax Credit eligibility and recapture rules**, the **expanded eligibility for Health Savings Accounts (HSAs)**, and the **permanent extension and enhancement of Opportunity Zones and the Qualified Small Business Stock (QSBS) gain exclusion**.

Materials prepared with assistance from NotebookLM.

The **One Big Beautiful Bill Act (HR 1)** (OBBBA) was delivered to the President before July 4, 2025, meeting Congress's target date after the House passed the Senate's version on July 3, 2025. This new law primarily extends and generally makes permanent many provisions from the Tax Cuts and Jobs Act that were scheduled to expire in 2025. Additionally, it accelerates the expiration of most energy incentives from the Inflation Reduction Act and includes temporary, targeted tax relief promised by the President during his campaign, among other provisions.

The date of enactment of the bill was July 4, 2025.

Items Not Found in the Final Bill

Some tax items you have heard about while the Act was making its way through Congress did not end up as part of the final bill. Some key ones are discussed below.

Changes to the Treatment of State Passthrough Entity Tax (PTET) SALT Workarounds

Initial House and Senate proposals included limits on how state PTET taxes could mitigate SALT cap effects. The House version specifically prohibited owners of Sec. 199A specified service trades and businesses (SSTBs) from deducting PTET taxes from an SSTB as anything other than personal income taxes on Schedule A. The Senate version proposed limits on all entities when PTET taxes passed to an individual exceeded $40,000. However, neither of these provisions is present in the final enacted bill.

Expansion of Activities Facilitating Solicitation Under PL 86-272

A proposed amendment within the bill aimed to significantly broaden the scope of Public Law 86-272. This law currently restricts states from levying net income tax on businesses solely engaged in soliciting orders for tangible personal property. The amendment sought to redefine "protected solicitation" to encompass activities that facilitate such solicitation, which could have nullified numerous state tax regulations, including those aligned with the Multistate Tax Commission's internet activities guidance.

However, this provision ultimately failed due to the Senate's Byrd rule. The Byrd rule mandates that any provision included in a reconciliation bill (which allows for passage with a simple majority rather than requiring 60 votes to proceed to a vote) must have a demonstrable impact on federal revenue or spending. While the amendment would have clearly affected state revenues, its lack of a direct federal budget impact led to its removal by the Senate Parliamentarian. This outcome was largely anticipated, as the provision's compliance with the Byrd rule was always in question.

Section 899 Revenge Tax

Following agreements with several countries, a provision targeting foreign-owned companies and investors from nations with "unfair foreign taxes" on U.S. companies was removed from the bill at the Treasury Secretary's request.

Hybrid and Electric Vehicle Annual Fees

The House-passed iteration of the One Big Beautiful Bill Act contained a measure to levy an annual fee of $100 on hybrid electric vehicles (HEVs) and $250 on electric vehicles (EVs). Nevertheless, this section was absent from the tax provisions text released by the Senate Finance Committee and from the bill eventually passed by the Senate. The probable cause for its exclusion was the committee members' belief that the provision would likely contravene Byrd rules if challenged with the Senate Parliamentarian.

Bill Name

While not officially named the "One Big Beautiful Bill Act," much like the 2017 bill wasn't formally called the Tax Cuts and Jobs Act and the 2022 bill wasn't formally called the Inflation Reduction Act, this document will refer to it as such. It has yet to receive a Public Law number from the Office of the Federal Register (OFR), but it will eventually be designated in the format "P.L. 119-xx." Formal citations will use this Public Law number, although, similar to the TCJA, the more recognizable name from its House form (the "One Big Beautiful Bill Act") will often be included.

The title of the bill was changed to "An Act to provide for reconciliation pursuant to title II of H. Con. Res. 14" following a ruling by the Senate Parliamentarian that the name was in violation of the Byrd rule as the name did not directly pertain to budgetary matters.[1] The objection was raised by Senate Minority Leader Sen. Schumer.

For purposes of this manual, the bill will be referred to as the One Big Beautiful Bill Act, as I have previously done in manuals for the Tax Cuts and Jobs Act and the Inflation Reduction Act. I would expect this "tradition" of the opposition striking the name of a reconciliation bill to continue in the future now that we have had three straight bills face this objection.

Subtitle A — Tax

The first section of Subtitle A of Title VII of the One Big Beautiful Bill contains preliminary provisions that clarify how the subsequent sections of this Title are to be interpreted and applied, particularly concerning amendments to existing tax law.

Sec. 70001. References To The Internal Revenue Code Of 1986, Etc.

This section lays out two fundamental rules for understanding the tax-related changes proposed in Title VII of the Senate's Engrossed Revision of the One Big Beautiful Bill:

- **General References to the Internal Revenue Code (Subsection (a))**: Unless explicitly stated otherwise within Title VII, any amendment or repeal expressed in terms of a section or other provision will be considered a reference to a section or other provision of the **Internal Revenue Code of 1986**. For experienced tax CPAs, this provision is critical as it confirms that the legislative text primarily operates by modifying the existing federal tax code, Title 26 of the US Code, ensuring a consistent framework for all subsequent changes within this Title.
- **Inapplicability of IRC Sec. 15 Regarding Rate Changes (Subsection (b))**: The bill explicitly states that **Sec. 15 of the Internal Revenue Code of 1986 shall not apply** to any change in the tax rate arising from a provision or amendment within Title VII. This is a

[1] "One Big Beautiful Bill Act.' Ballotpedia Web Site, https://ballotpedia.org/One_Big_Beautiful_Bill_Act#:~:text=The%20bill%27s%20official,.%5B9%5D , retrieved July 5, 2025

significant point for tax professionals because IRC Sec. 15 generally dictates the proration of tax liability when a tax rate changes during a taxpayer's taxable year (a "straddle year"). By making Sec. 15 inapplicable, it means that any new or modified tax rates introduced or extended by Title VII will take full effect as of their specified effective dates, without the need for complex proration calculations for taxpayers whose years may span the change. This simplifies compliance for such rate changes.

Subtitle A — Tax, Chapter 1 — Providing Permanent Tax Relief for Middle-Class Families and Workers

Chapter 1 of Subtitle A of Title VII of the One Big Beautiful Bill Act introduces significant changes primarily aimed at providing permanent tax relief for middle-class families and workers, along with modifications to various deductions, credits, and exemption amounts.

Here is a summary of the changes proposed in Chapter 1:

Sec. 70101. Extension And Enhancement Of Reduced Rates.

This section makes the **reduced tax rates permanent** by striking the sunset date of "January 1, 2026" from Sec. 1(j) of the Internal Revenue Code and revising the heading to apply to taxable years "beginning after 2017" instead of "2018 through 2025". It also modifies the inflation adjustment rules in Sec. 1(j)(3)(B)(i) to apply solely for purposes of determining the dollar amounts at which **rate brackets higher than 12 percent end and higher than 22 percent begin**. These changes apply to taxable years beginning after December 31, 2025.

Sec. 70102. Extension And Enhancement Of Increased Standard Deduction.

The increased standard deduction is **made permanent** by removing the "January 1, 2026" sunset date from Sec. 63(c)(7) of the Internal Revenue Code and updating the heading to cover years "beginning after 2017". Additionally, the standard deduction amounts are **substantially increased**:

- **$24,000 to $31,500** for married couples filing jointly and surviving spouses
- **$18,000 to $23,625** for head of household filers.
- **$12,000 to $15,750** for single individuals and married individuals filing separately.

Conforming changes are also made to the years referenced in Sec. 63(c)(7)(B)(ii). These amendments apply to taxable years beginning after December 31, 2024.

Sec. 70103. Termination Of Deduction For Personal Exemptions Other Than Temporary Senior Deduction.

This section effectively **terminates the general deduction for personal exemptions** by removing the "January 1, 2026" sunset from Sec. 151(d)(5) and changing its heading to "beginning after 2017". However, it introduces a **new, temporary deduction for seniors**:

- A deduction of **$6,000** is allowed for each "qualified individual" (taxpayer and/or spouse who attained age 65 by year-end) for taxable years beginning before January 1, 2029.
- This senior deduction is subject to a **limitation based on modified adjusted gross income (MAGI)**: the $6,000 amount (not the entire combined deduction for a married couple) is reduced by 6 percent of MAGI exceeding $75,000 ($150,000 for joint returns), though not below zero. MAGI is defined as adjusted gross income increased by certain foreign income exclusions. The reduction of the $6,000 before multiplying it by the number of spouses over age 65 means that all affected taxpayers will see the entire deductions phased out over $100,000.
- A **Social Security Number (SSN)** for the qualified individual is required on the tax return.
- Married individuals can claim this deduction only if they file a **joint return**.
- The omission of a correct SSN for this deduction is treated as a mathematical or clerical error, allowing for summary assessment by the IRS. These amendments apply to taxable years beginning after December 31, 2024.

An additional deduction for seniors was incorporated into the bill as a partial fulfillment of a presidential campaign promise to eliminate taxes on Social Security benefits. However, due to the Byrd Rule, **reconciliation bills cannot include provisions affecting the taxation of Social Security benefits**.

This subtraction is an imperfect substitute for excluding Social Security benefits from taxation for several reasons:

- **Taxpayers must be at least 65 by year-end**, meaning those who begin receiving Social Security at 62 will not benefit for their first three years of benefits.
- **Seniors aged 65 or older who have not yet elected to receive benefits are still eligible for this deduction**, despite not receiving any Social Security.
- The **deduction amount is not linked to the amount of taxable Social Security benefits** reported on the tax return.

These discrepancies may lead clients to question their 2025 tax return preparation, as they may still be paying tax on their Social Security, either because they are under 62 or because their allowable deduction is significantly less than the taxable portion of their Social Security benefits.

Sec. 70104. Extension And Enhancement Of Increased Child Tax Credit.

The increased child tax credit is **extended permanently**, removing the "January 1, 2026" sunset from Sec. 24(h). The credit amount is **increased from $2,000 to $2,200**. The heading for this section is also updated to "beginning after 2017".

- A **Social Security Number (SSN)** is required for both the taxpayer (or one spouse in a joint return) and the qualifying child. The SSN must be issued by the Social Security Administration to a U.S. citizen or certain other individuals, and issued before the return's due date.
- **Inflation adjustments** are introduced:
    - For taxable years after 2024, the **$1,400 refundable credit amount** is adjusted for inflation using a 2017 base year.
    - For taxable years after 2025, the **$2,200 credit amount** is adjusted for inflation using a 2024 base year.
    - Any increase under these adjustments is rounded to the next lowest multiple of $100.
- The omission of a correct SSN for this credit is treated as a mathematical or clerical error. These changes apply to taxable years beginning after December 31, 2024.

Sec. 70105. Extension And Enhancement Of Deduction For Qualified Business Income.

This section increases the **taxable income limitation phase-in amounts** for the qualified business income (QBI) deduction from "$50,000 ($100,000 for joint returns)" to **"$75,000 ($150,000 for joint returns)"**.

- A **new minimum deduction for active qualified business income** is introduced in Sec. 199A(i). For an "applicable taxpayer" (one with at least $1,000 in aggregate QBI from active qualified trades or businesses where they materially participate), the QBI deduction will be the greater of the amount otherwise determined or **$400**.
- These **$400 and $1,000 amounts will be adjusted for inflation** for taxable years beginning after 2026, with rounding to the nearest multiple of $5. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70106. Extension And Enhancement Of Increased Estate And Gift Tax Exemption Amounts.

The basic exclusion amount for estate and gift tax purposes is **increased from $5,000,000 to $15,000,000**. The inflation adjustment base year for this amount is updated from "2011" to "2026" and from "calendar year 2010" to "calendar year 2025". A specific subparagraph (C) related to this

exemption is also struck. These changes apply to estates of decedents dying and gifts made after December 31, 2025.

Sec. 70107. Extension Of Increased Alternative Minimum Tax Exemption Amounts And Modification Of Phaseout Thresholds.

The increased alternative minimum tax (AMT) exemption amounts are **extended permanently** by removing the "January 1, 2026" sunset date.

- The **inflation adjustment** for the $1,000,000 phaseout amount is modified to use a "calendar year 2025" base.
- The **phaseout percentage** for certain amounts is changed from "25 percent" to "**50 percent**". These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70108. Extension And Modification Of Limitation On Deduction For Qualified Residence Interest.

The limitation on the deduction for qualified residence interest is **extended permanently** by removing the "January 1, 2026" sunset date and updating the heading. A key modification is that **mortgage insurance premiums will again be treated as interest** for this deduction, using the rules last in place for 2021. Other conforming changes related to clause redesignations are also made. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70109. Extension And Modification Of Limitation On Casualty Loss Deduction.

The limitation on the casualty loss deduction is **extended permanently** by removing the "January 1, 2026" sunset date and updating the heading.

- A significant modification is the **extension of the deduction to losses resulting from a "State declared disaster"**. A "State declared disaster" is defined to include various natural catastrophes (e.g., hurricane, tornado, earthquake) or fires, floods, or explosions, where the state's Governor (or D.C. Mayor) and the Secretary determine the damage is severe enough to warrant applying these rules.
- The term "State" for this purpose includes the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70110. Termination Of Miscellaneous Itemized Deductions Other Than Educator Expenses.

This section generally **terminates miscellaneous itemized deductions** by removing the "January 1, 2026" sunset from Sec. 67(g) and updating its heading. However, it carves out a **permanent deduction for "educator expenses"**.

- The definition of "educator expenses" is expanded:
    - It **removes the dollar limitation** and the exclusion for nonathletic supplies for health or physical education courses.
    - It changes the requirement from "in the classroom" to "**as part of instructional activity**".
    - The definition of eligible educators is expanded to include "**interscholastic sports administrator or coach**".
- This deduction would be claimed as an **Other Itemized Deduction** on Schedule A. This results from the fact that the deduction:
    - Is **not included** in the list of deductions an individual uses to compute their **adjusted gross income** found at Section 62 but
    - Is specifically **excluded** from being treated as a **miscellaneous itemized deduction** by the new language in Section 67, thus escaping disallowance under IRC §67(g).
- Read literally, the IRC now provides that an educator would continue to claim the very limited above the line deduction amount, but then be able to take an unlimited amount of expenses paid **including those deducted in arriving at adjusted gross income** as an itemized deduction. However the IRS will most likely point to the U.S. Supreme's Court decision in *Charles Ilfeld Co. v. Hernandez*, 292 U.S. 62 (1934) regarding double deductions to argue that the **itemized deduction has to be reduced by an amount claimed in arriving at adjusted gross income**.
- These amendments apply to taxable years beginning after **December 31, 2025**.

Sec. 70111. Limitation On Tax Benefit Of Itemized Deductions.

This section revises Sec. 68 of the Internal Revenue Code to impose a new limitation on the tax benefit of itemized deductions. The amount of itemized deductions otherwise allowable will be **reduced by 2/37** of the *lesser* of:

- The amount of itemized deductions, or
- The taxpayer's taxable income (adjusted) that exceeds the dollar amount at which the 37 percent tax rate bracket begins. This limitation applies *after* any other limitations on specific itemized deductions. Importantly, this limitation will **not apply when determining the**

deduction for qualified business income under Sec. 199A. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70112. Extension And Modification Of Qualified Transportation Fringe Benefits.

This section removes several specific provisions related to qualified transportation fringe benefits, including striking references to qualified bicycle commuting reimbursements. It also modifies the inflation adjustment base year for these benefits from "1998" to "**1997**". Provisions in Sec. 274(l) regarding the disallowance of certain expenses are also conformed. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70113. Extension And Modification Of Limitation On Deduction And Exclusion For Moving Expenses.

The limitations on both the deduction (Sec. 217(k)) and exclusion (Sec. 132(g)(2)) for moving expenses are **extended permanently** by removing the "January 1, 2026" sunset dates and updating the headings.

- A significant modification is the **allowance of both the deduction and exclusion for moving expenses for members of the intelligence community** (excluding Armed Forces members) who relocate due to a change in assignment. These individuals will be treated similarly to Armed Forces members on a permanent change of station. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70114. Extension And Modification Of Limitation On Wagering Losses.

This section modifies the limitation on wagering losses under Sec. 165(d) of the Internal Revenue Code. For any taxable year, the amount allowed as a deduction for wagering losses will be **equal to 90 percent of such losses**, but only to the extent of gains from wagering transactions. The term "losses from wagering transactions" is clarified to include any deduction otherwise allowable incurred in carrying on any wagering transaction. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70115. Extension And Enhancement Of Increased Limitation On Contributions To ABLE Accounts.

This section extends and enhances the increased limitation on contributions to ABLE accounts. It removes the "before January 1, 2026" limitation on contributions. It also modifies the inflation adjustment for gift tax annual exclusion amounts (Sec. 2503(b)) when determining ABLE account contribution limits, substituting "1996" for "1997" in the calculation. These changes generally apply

to contributions made after December 31, 2025, with the inflation adjustment applying to taxable years beginning after that date.

Sec. 70116. Extension And Enhancement Of Savers Credit Allowed For ABLE Contributions.

The saver's credit is **extended and enhanced**.

- It is broadened to include **contributions made to ABLE accounts** as "qualified retirement savings contributions". Other qualified retirement contributions are included for taxable years beginning before January 1, 2027.
- It **repeals a specific paragraph (1) of section 103(e) of the SECURE 2.0 Act of 2022**, directing that the Internal Revenue Code be applied as though it were never enacted.
- The maximum credit amount for the saver's credit is **increased from $2,000 to $2,100**. The extension and repeal apply to taxable years ending after December 31, 2025. The increase in the credit amount applies to taxable years beginning after December 31, 2026.

Sec. 70117. Extension Of Rollovers From Qualified Tuition Programs To ABLE Accounts Permitted.

This section makes the allowance of **rollovers from qualified tuition programs (529 plans) to ABLE accounts permanent** by striking the "before January 1, 2026" limitation from Sec. 529(c)(3)(C)(i)(III). This change applies to taxable years beginning after December 31, 2025.

Sec. 70118. Extension Of Treatment Of Certain Individuals Performing Services In The Sinai Peninsula And Enhancement To Include Additional Areas.

This section makes **permanent** the special tax treatment for individuals performing services in qualified hazardous duty areas. It **expands the list of "qualified hazardous duty areas"** to include **Kenya, Mali, Burkina Faso, and Chad**, in addition to the Sinai Peninsula of Egypt. This treatment applies during periods when members of the Armed Forces are entitled to special pay for duty subject to hostile fire or imminent danger in these locations. These amendments take effect on January 1, 2026.

Sec. 70119. Extension And Modification Of Exclusion From Gross Income Of Student Loans Discharged On Account Of Death Or Disability.

The exclusion from gross income for certain student loans discharged due to death or total and permanent disability is **extended permanently**. The scope of eligible loans is broadened to include "student loans" and "private education loans" that are "otherwise discharged on account of death or total and permanent disability of the student".

- A **Social Security Number (SSN)** of the taxpayer is now required on the return for this exclusion to apply.
- The omission of a correct SSN for this exclusion is treated as a mathematical or clerical error. These amendments apply to discharges after December 31, 2025.

Sec. 70120. Limitation On Individual Deductions For Certain State And Local Taxes, Etc.

This section **removes the sunset date for the limitation on state and local tax (SALT) deductions**, effectively making it permanent. However, it significantly modifies the deduction limit by replacing the fixed $10,000 ($5,000 for married filing separately) with a new **"applicable limitation amount"**.

- The "applicable limitation amount" will be:
    - **$40,000** for taxable years beginning in 2025.
    - **$40,400** for taxable years beginning in 2026.
    - **101 percent of the preceding year's amount** for taxable years beginning after 2026 and before 2030.
    - **$10,000** for taxable years beginning after 2029.
- This applicable limitation amount is also subject to a **phasedown based on modified adjusted gross income (MAGI)** for taxable years beginning before January 1, 2030. The reduction is **30 percent** of the excess of MAGI over a "threshold amount" ($500,000 for 2025, increasing to $505,000 for 2026, and 101% of the preceding year's amount thereafter).
- The reduction cannot bring the applicable limitation amount below $10,000. MAGI is defined as adjusted gross income increased by certain foreign income exclusions. These amendments apply to taxable years beginning after December 31, 2024.

Subtitle A — Tax, Chapter 2 — Delivering on Presidential Priorities to Provide New Middle-Class Tax Relief

This chapter introduces several new tax provisions aimed at reducing tax burdens for individuals and families, and establishes a new savings and contribution program.

Sec. 70201. No Tax on Tips.

This section establishes a **new deduction for qualified tips** under a new Code Sec. 224.

- **Deduction Details**:
    - Allows a deduction for qualified tips that are reported to the taxpayer.
    - The **maximum deduction is $25,000** per taxable year.
    - The deduction is subject to a phase-out: it is reduced by $100 for each $1,000 by which the taxpayer's **modified adjusted gross income (AGI) exceeds $150,000** ($300,000 for joint returns). Modified AGI includes AGI increased by certain foreign income exclusions.
    - For tips received in a trade or business (other than as an employee), the deduction is limited to the extent gross income from that business (including tips) exceeds other allocable business deductions.
    - **"Qualified tips"** are defined as cash tips received in occupations that customarily and regularly received tips on or before December 31, 2024, as determined by the Secretary. They must be voluntary, not subject to negotiation, determined by the payor, and not from a "specified service trade or business". "Cash tips" include charged tips and tips from sharing arrangements.
    - Requires the taxpayer to include their **Social Security Number (SSN)** on the tax return to claim the deduction.
    - For married individuals, the deduction is only available if a **joint return** is filed.
    - The deduction is **terminated for taxable years beginning after December 31, 2028**.
- **Impact on Non-Itemizers**: This deduction is allowed even for taxpayers who do not itemize deductions. It is, however, a below-the-line deduction treated in the same manner as the QBI deduction under Section 199A, that is in addition to either the standard deduction or itemized deductions. **(IRC Sec. 63(b))**
- **Enforcement**: Omission of the required SSN for this deduction is treated as a mathematical or clerical error. Amounts deducted under this section are **excluded from qualified business income** for purposes of Sec. 199A.
- **Tip Credit Extension**: Extends the tip credit under Sec. 45B to include beauty service businesses (barbering, hair care, nail care, esthetics, body and spa treatments) where tipping is customary.
- **Reporting Requirements**: The Act introduces new reporting requirements for cash tips on various information returns, including those filed by businesses, third-party settlement organizations, and employers on Form W-2. The Secretary of the Treasury is also mandated to **publish a list of occupations** that customarily and regularly received tips by December 31, 2024.
- **Effective Date**: These amendments apply to **taxable years beginning after December 31, 2024**. A transition rule allows approximation for reporting tips before January 1, 2026.

Sec. 70202. No Tax on Overtime.

This section creates a **new deduction for qualified overtime compensation** under a new Code Sec. 225.

- **Deduction Details**:
    - Allows a deduction for qualified overtime compensation received and reported.
    - The **maximum deduction is $12,500** ($25,000 for joint returns).
    - Similar to the tips deduction, it is subject to a phase-out: reduced by $100 for each $1,000 by which **modified AGI exceeds $150,000** ($300,000 for joint returns). Modified AGI includes AGI increased by certain foreign income exclusions.
    - **"Qualified overtime compensation"** is defined as overtime pay in excess of the regular rate as required by the Fair Labor Standards Act of 1938, excluding qualified tips.
    - Requires the taxpayer to include their **SSN** on the tax return to claim the deduction.
    - For married individuals, the deduction is only available if a **joint return** is filed.
    - The deduction is **terminated for taxable years beginning after December 31, 2028**.
- **Impact on Non-Itemizers**: This deduction is allowed even for taxpayers who do not itemize deductions. It is, however, a below-the-line deduction treated in the same manner as the QBI deduction under Section 199A, that is in addition to either the standard deduction or itemized deductions. **(IRC Sec. 63(b))**
- **Reporting Requirements**: Employers must report qualified overtime compensation on Form W-2. Information reporting for payments to non-employees is also modified to include separate accounting of qualified overtime compensation.
- **Enforcement**: Omission of the required SSN for this deduction is treated as a mathematical or clerical error.
- **Effective Date**: These amendments apply to **taxable years beginning after December 31, 2024**. A transition rule allows approximation for reporting overtime compensation before January 1, 2026.

Sec. 70203. No Tax on Car Loan Interest.

This section modifies Sec. 163(h) of the Code to **exclude qualified passenger vehicle loan interest from the definition of "personal interest,"** making it deductible.

- **Deduction Period**: This exclusion applies for **taxable years beginning after December 31, 2024, and before January 1, 2029**.
- **"Qualified Passenger Vehicle Loan Interest" Defined**: Interest paid or accrued on indebtedness incurred after December 31, 2024, for the purchase of, and secured by a first lien on, an "applicable passenger vehicle" for personal use.

- **Exclusions**: Does not include interest on loans for fleet sales, commercial vehicles not used for personal purposes, lease financing, vehicles with salvage titles, or vehicles for scrap or parts.
- **VIN Requirement**: Requires the **Vehicle Identification Number (VIN)** of the applicable passenger vehicle on the tax return.
- **Limitations**:
    - The **maximum interest amount is $10,000** per taxable year.
    - Subject to a **modified AGI phase-out**: reduced by $200 for each $1,000 (or portion) by which modified AGI exceeds $100,000 ($200,000 for joint returns). Modified AGI includes AGI increased by certain foreign income exclusions.
- **"Applicable Passenger Vehicle" Defined**: Generally, **a new vehicle with original use commencing with the taxpayer**, manufactured primarily for public streets, with at least 2 wheels, and specifically includes cars, minivans, vans, SUVs, pickup trucks, or motorcycles, with a gross vehicle weight rating less than 14,000 pounds, and for which **final assembly occurred within the United States**.
- **Refinancing and Related Parties**: Includes certain refinanced indebtedness but excludes loans owed to related parties.
- **Impact on Non-Itemizers**: The allowed deduction for this car loan interest is also available to **non-itemizers**. It is, however, a below-the-line deduction treated in the same manner as the QBI deduction under Section 199A, that is in addition to either the standard deduction or itemized deductions. **(IRC Sec. 63(b))**
- **Reporting Requirements**: Introduces a **new Code Sec. 6050AA**, requiring persons in a trade or business who receive $600 or more in qualified passenger vehicle loan interest from individuals to file annual returns with detailed information, including vehicle specifics. Statements must also be furnished to the payees. Non-compliance with these reporting requirements carries penalties.
- **Effective Date**: These amendments apply to **indebtedness incurred after December 31, 2024**.

Sec. 70204. Trump Accounts and Contribution Pilot Program.

This section introduces "Trump accounts," treated generally like **Individual Retirement Accounts (IRAs)**, and establishes a pilot program for contributions to these accounts.

- **Trump Accounts (New Code Sec. 530A)**:
    - **General Rule**: A Trump account is an IRA (not a Roth IRA) that meets specific requirements, including the account beneficiary having an **SSN issued before an election is made**.
    - **Investment Focus**: Must be invested in a **"qualified index,"** such as the Standard and Poor's 500 or other equity-based indices primarily composed of U.S. companies. Sector-specific indices are excluded.

  - **Contribution Limits**: Aggregate contributions (excluding qualified rollovers, qualified general contributions, or contributions from the pilot program) are limited to **$5,000 per calendar year**, with inflation adjustments for years after 2027.
  - **Special Rules for Minors**: Contributions can be made for beneficiaries before they reach age 18, and standard IRA contribution timing rules do not apply for contributions made before age 18. Excess contributions for beneficiaries under 18 incur a 100% tax on net income attributable to the excess.
  - **Rollovers**: Allows tax-free qualified rollover contributions between Trump accounts for the same beneficiary. Also permits **qualified ABLE rollover contributions** when the beneficiary attains age 17, transferring the entire balance to an ABLE account without affecting ABLE contribution limits.
  - **"Qualified General Contributions"**: These are contributions made by qualifying entities (e.g., Sec. 170(c)(1) entities or 501(c)(3) organizations) to specific "qualified classes" of beneficiaries. Qualified classes include all account beneficiaries under age 18, or those under 18 in specific geographic areas or born in certain years.
  - **Trustee Selection**: For accounts created by the Secretary, trustee selection considers reliability, compliance, customer service, and costs.
  - **Reporting**: Trustees are required to submit reports to the Secretary and the beneficiary, including details on contributions (especially large ones from non-standard sources), distributions, fair market value, and investment in the contract. Reporting ceases after the beneficiary attains age 17. Failure to report incurs a penalty.
- **Employer Contributions (New Code Sec. 128)**:
  - Excludes from gross income up to **$2,500** of employer contributions to an employee's (or dependent's) Trump account under a qualifying program. This amount is subject to inflation adjustment after 2027.
- **Exclusion of General Contributions (New Code Sec. 139J)**:
  - Any qualified general contribution to a Trump account is **excluded from the gross income of the account beneficiary**.
- **Trump Accounts Contribution Pilot Program (New Code Sec. 6434)**:
  - Allows an individual to elect for an eligible child to receive a **$1,000 payment** (treated as a tax payment) directly into the child's Trump account.
  - Requires the **SSN of the eligible child** for the election.
  - Payments under this program are explicitly **not subject to reduction or offset** by other federal debts or taxes.
  - **Penalty for Improper Claims**: A **$500 penalty** is imposed for negligence or disregard of rules for improper claims, increasing to **$1,000 for fraud**. Omission of the required SSN for this program is treated as a mathematical or clerical error.
- **Effective Date**: These amendments apply to **taxable years beginning after December 31, 2025**.

- **Funding**: **$410,000,000** is appropriated to the Department of the Treasury to carry out these amendments, available until September 30, 2034.

Subtitle A — Tax, Chapter 3 — Establishing Certainty and Competitiveness For American Job Creators

This chapter focuses on significant reforms to U.S. business tax, domestic investment incentives, and international tax rules.

Subchapter A: Permanent U.S. Business Tax Reform and Boosting Domestic Investment

Sec. 70301. Full Expensing For Certain Business Property.

This section makes the **100% bonus depreciation permanent** for qualified property. It eliminates the previous sunset provisions in Sec. 168(k). The "applicable percentage" for bonus depreciation is set to **100 percent**, removing prior phasedowns. For the first taxable year ending after January 19, 2025, a taxpayer may elect a transitional reduced bonus percentage (40% or 60% depending on property type). These changes apply to property acquired **after January 19, 2025**.

Sec. 70302. Full Expensing of Domestic Research and Experimental Expenditures.

This section creates a **new Code Sec. 174A** to allow a **full deduction for domestic research or experimental (R&E) expenditures** paid or incurred during the taxable year. "Domestic research or experimental expenditures" are defined as those *not* attributable to foreign research. Taxpayers can elect to amortize certain domestic R&E (not subject to depreciation or depletion) over at least 60 months, starting when benefits are realized.

The Act makes conforming amendments:

- **Sec. 174 is now explicitly for "foreign research or experimental expenditures,"** which must be amortized over a 15-year period.
- For the **research credit (Sec. 41)**, qualified research expenses now refer to those treated as domestic R&E under new Sec. 174A.
- **Sec. 280C is amended to reduce domestic R&E deductions by the amount of the research credit allowed**.
- Adjustments are made to the **Alternative Minimum Tax (AMT)** and other Code sections to align with this new R&E treatment.

This change is treated as a **change in accounting method** under Sec. 481, initiated by the taxpayer, with IRS consent, on a **cut-off basis** for expenditures paid or incurred in taxable years beginning

after December 31, 2024. Special transition rules allow eligible small businesses to elect retroactive application to taxable years beginning after December 31, 2021.

Sec. 70303. Modification of Limitation on Business Interest.

This section makes permanent the exclusion of **floor plan financing interest** from the Sec. 163(j) business interest limitation by removing its January 1, 2022, sunset. The calculation of ATI is restored to using EBITDA as it was prior to 2022. It also expands the definition of "floor plan financing indebtedness" to include loans for recreational trailers and campers. These changes apply to taxable years beginning after December 31, 2024.

Sec. 70304. Extension and Enhancement of Paid Family and Medical Leave Credit.

This section extends and enhances the paid family and medical leave credit under Sec. 45S. Employers can now elect to calculate the credit based on either **wages paid to qualifying employees on leave** *or* **premiums paid for an insurance policy** providing such leave. The definition of a "qualifying employee" is modified to include those customarily employed for **not less than 20 hours per week**, and the 1-year employment requirement can be met if employed for at least 6 months, at the employer's election. An **exception to aggregation rules** for controlled groups is added for employers with "substantial and legitimate business reasons" for differing policies, explicitly excluding business lines or wage rates as such reasons. Leave required or paid by State or local governments counts towards leave provided but not for the credit amount. A **no double benefit rule** is added for the insurance premium election. These amendments apply to taxable years beginning after December 31, 2025.

Sec. 70305. Exceptions From Limitations on Deduction for Business Meals.

This section provides exceptions to the general denial of deduction for business meals under Sec. 274(o) for expenses related to goods/services available to the general public or for certain meals not subject to the 50% limitation. Specifically, meals provided on **fishing vessels** or at certain **fish processing facilities** in specific northern U.S. locations are exempted from the 50% limitation. These changes apply to amounts paid or incurred after December 31, 2025.

Sec. 70306. Increased Dollar Limitations For Expensing of Certain Depreciable Business Assets.

This section significantly increases the **Sec. 179 expensing limits**: the maximum deduction amount rises from $1,000,000 to **$2,500,000**, and the phase-out threshold increases from $2,500,000 to **$4,000,000**. Inflation adjustments for these new amounts will be based on a calendar year 2024 adjustment. These amendments apply to property placed in service in taxable years beginning after December 31, 2024.

Sec. 70307. Special Depreciation Allowance for Qualified Production Property.

This section establishes a **new Code Sec. 168(n)** providing a **100% depreciation deduction** for "qualified production property" in the year it's placed in service. **Qualified production property** is nonresidential real property used as an integral part of a "qualified production activity" (manufacturing, production, or refining of a "qualified product" resulting in "substantial transformation"). Construction must begin after January 19, 2025, and before January 1, 2029, and the property must be placed in service before January 1, 2031. Agricultural and chemical production are specifically included, while food/beverages prepared and sold in the same retail establishment are excluded from "qualified product". A **10-year recapture rule** applies if the property ceases to be used in a qualified production activity. The deduction is allowed for AMT purposes without adjustment. Taxpayers must elect this deduction, and the election is generally irrevocable. This applies to property placed in service after the Act's enactment date.

Sec. 70308. Enhancement of Advanced Manufacturing Investment Credit.

This section enhances the advanced manufacturing investment credit under Sec. 48D(a) by increasing the credit percentage from 25% to **35%**. This applies to property placed in service after December 31, 2025.

Sec. 70309. Spaceports Are Treated Like Airports Under Exempt Facility Bond Rules.

This section expands the types of facilities that qualify for tax-exempt private activity bond financing by including **"spaceports"** alongside airports in Sec. 142(a)(1). It also modifies rules to permit financing of certain manufacturing facilities and industrial parks related to spaceports and provides an exception from the federal guarantee prohibition for spaceports when the U.S. pays for their use. These changes apply to obligations issued after the Act's enactment date.

Subchapter B: Permanent America-First International Tax Reforms

Part I: Foreign Tax Credit

Sec. 70311. Modifications Related to Foreign Tax Credit Limitation.

This section modifies how deductions are allocated for purposes of the Sec. 904 foreign tax credit limitation with respect to foreign source net CFC tested income (formerly GILTI). It specifies that the Sec. 250(a)(1)(B) deduction (for GILTI) and related taxes are allocated to such income, but **no interest expense or research and experimental expenditures** are allocated to it. Other deductions are allocated *only if directly allocable*, and any amounts or deductions that would have been allocated to this income are now allocated to U.S. source income. These changes apply to taxable years beginning after December 31, 2025.

Sec. 70312. Modifications to Determination of Deemed Paid Credit for Taxes Properly Attributable to Tested Income.

This section increases the **deemed paid foreign tax credit for tested income from 80% to 90%** under Sec. 960(d)(1). Crucially, it also adds a new paragraph to Sec. 960(d) to **disallow 10% of any foreign income taxes** (paid, accrued, or deemed paid) on amounts excluded from gross income under Sec. 959(a) due to a Sec. 951A inclusion. The 90% deemed paid credit applies to taxable years beginning after December 31, 2025. The disallowance applies to foreign income taxes related to certain Sec. 951A inclusions after June 28, 2025.

Sec. 70313. Sourcing Certain Income From the Sale of Inventory Produced in the United States.

This section introduces a new sourcing rule for Sec. 904 foreign tax credit limitation purposes. It provides that if a U.S. person has a foreign office, income from the sale *outside the U.S.* of **U.S.-produced inventory** for use outside the U.S., which is attributable to that foreign office, will be treated as **foreign source income, capped at 50% of the total income** from the sale. This effectively reinstates a 50/50 sourcing rule for such income. This applies to taxable years beginning after December 31, 2025.

Part II: Foreign-Derived Deduction Eligible Income and Net CFC Tested Income

Sec. 70321. Modification of Deduction for Foreign-Derived Deduction Eligible Income and Net CFC Tested Income.

This section significantly **reduces the deduction percentages** under Sec. 250(a):

- The deduction for Foreign-Derived Deduction Eligible Income (FDII) is reduced from 37.5% to **33.34%**.
- The deduction for Net CFC Tested Income (formerly GILTI) is reduced from 50% to **40%**.
- It **repeals the taxable income limitation on the GILTI deduction**. These changes apply to taxable years beginning after December 31, 2025.

Sec. 70322. Determination of Deduction Eligible Income.

This section modifies the determination of "deduction eligible income" for the FDII deduction. It expands the income included to cover **income and gain from the sale or disposition of intangible property and other depreciable/amortizable/depletable property**. It also clarifies that for expense apportionment, only expenses *other than interest expense and research or experimental expenditures* are properly allocable to deduction eligible income. The sales/dispositions changes apply to transactions after June 16, 2025, and the expense apportionment changes apply to taxable years beginning after December 31, 2025.

Sec. 70323. Rules Related to Deemed Intangible Income.

This section makes several key changes:

- The term "global intangible low-taxed income" (GILTI) is **renamed to "net CFC tested income"** throughout the Code.
- The **tax-free deemed return on foreign investments (QBAI)**, previously found in Sec. 951A(b) and (d), is **repealed**. This means the 10% return on tangible depreciable assets is no longer excluded from the GILTI calculation.
- The term "foreign-derived intangible income" is **renamed to "foreign-derived deduction eligible income"**. These amendments apply to taxable years beginning after December 31, 2025.

Part III: Base Erosion Minimum Tax

Sec. 70331. Extension and Modification of Base Erosion Minimum Tax Amount.

This section increases the **Base Erosion Minimum Tax (BEAT) rate from 10% to 10.5%**. It also **repeals the lower BEAT rate** previously applicable to certain banks and registered securities dealers. These changes apply to taxable years beginning after December 31, 2025.

Part IV: Business Interest Limitation

Sec. 70341. Coordination of Business Interest Limitation With Interest Capitalization Provisions.

This section clarifies that the Sec. 163(j) **business interest limitation applies *before* any interest capitalization provisions**. The amount of interest allowed after applying the limitation is **first applied to business interest that would otherwise be capitalized**, and then to interest that would be deducted. Disallowed business interest carried forward is *not* treated as subject to interest capitalization rules. Importantly, interest capitalized under Sec. 263(g) (straddle rule) or Sec. 263A(f) (uniform capitalization rules for interest) is explicitly **excluded from "business interest"**. The Secretary is granted regulatory authority to implement these rules. These changes apply to taxable years beginning after December 31, 2025.

Sec. 70342. Definition of Adjusted Taxable Income for Business Interest Limitation.

This section modifies the definition of "adjusted taxable income" (ATI) for the Sec. 163(j) business interest limitation. It now includes in ATI amounts included in gross income under **Sec.s 951(a) (Subpart F income), 951A(a) (Net CFC tested income), and 78 (gross-up for deemed-paid taxes)**, as well as related deductions under Sec.s 245A(a) and 250(a)(1)(B). This typically increases ATI, potentially allowing for a higher business interest deduction. This applies to taxable years beginning after December 31, 2025.

Part V: Other International Tax Reforms

Sec. 70351. Permanent Extension of Look-Thru Rule for Related Controlled Foreign Corporations.

This section makes the **look-thru rule for related controlled foreign corporations (CFCs) permanent** by removing its sunset date in Sec. 954(c)(6)(C). This rule generally treats dividends, interest, rents, and royalties received from a related CFC as not Subpart F income to the extent attributable to non-Subpart F income of the payor. This applies to taxable years of foreign corporations beginning after December 31, 2025.

Sec. 70352. Repeal of Election for 1-Month Deferral in Determination of Taxable Year of Specified Foreign Corporations.

This section **repeals the election under Sec. 898(c)(2)** that allowed a specified foreign corporation to adopt a taxable year beginning one month earlier than its U.S. shareholder's tax year. This applies to taxable years of specified foreign corporations beginning after November 30, 2025. A transition rule is provided for corporations whose taxable year changes due to this repeal.

Sec. 70353. Restoration of Limitation on Downward Attribution of Stock Ownership in Applying Constructive Ownership Rules.

This section restores a limitation on downward attribution for purposes of Subpart F by adding a new paragraph to Sec. 958(b). This new rule prevents Sec. 318(a)(3) (downward attribution from partnerships, estates, trusts, and corporations) from being applied to consider a U.S. person as owning stock that is owned by a **non-U.S. person**.

Additionally, it creates a **new Code Sec. 951B** which introduces the concepts of "foreign controlled United States shareholder" and "foreign controlled foreign corporation". This section extends Subpart F rules (with some exceptions) to these foreign-controlled entities, effectively expanding the reach of certain international tax provisions. These amendments apply to taxable years of foreign corporations beginning after December 31, 2025.

Sec. 70354. Modifications to Pro Rata Share Rules.

This section modifies Sec. 951(a) to clarify how a U.S. shareholder's pro rata share of Subpart F income is determined, focusing on the portion attributable to stock owned by the shareholder and the periods during which certain conditions are met. It also grants regulatory authority to the Secretary to allow or require closing the CFC's taxable year upon a stock disposition. For Sec. 951A (Net CFC Tested Income), the determination of tested income and pro rata share is adjusted for coordination with the new Sec. 951(a) rules. These changes apply to taxable years of foreign corporations beginning after December 31, 2025. A transition rule addresses the treatment of certain dividends paid before the new rules apply.

Subtitle A — Tax, Chapter 4 — Investing in American Families, Communities, and Small Businesses

Chapter 4 of Subtitle A of Title VII of the One Big Beautiful Bill Act introduces a wide array of significant changes across various tax areas, including family and child-related credits, education and tax-exempt institution reforms, community development incentives, and provisions for small businesses and rural America.

Here is a summary of the changes proposed in each section within this chapter:

Subchapter A—Permanent Investments In Families and Children

Sec. 70401. Enhancement of Employer-Provided Child Care Credit

This section enhances the employer-provided child care credit under Sec. 45F.

- **Increase in Credit Percentage**: The credit for qualified child care expenditures would increase from **25 percent to 40 percent**. For an **eligible small business**, this percentage would be **50 percent**. An "eligible small business" is defined as one that meets the gross receipts test of Sec. 448(c), with modifications to use a 5-taxable-year period instead of a 3-taxable-year period.
- **Increase in Maximum Credit Amount**: The maximum credit allowable for any taxable year would increase from $500,000 to **$500,000**, with an increased limit of **$600,000 for an eligible small business**.
- **Inflation Adjustment**: For taxable years beginning after 2026, both the $500,000 and $600,000 amounts would be adjusted for inflation based on the cost-of-living adjustment from calendar year 2025.
- **Credit for Third-Party Intermediaries**: The credit would now apply to expenditures made under a contract with an intermediate entity that contracts with qualified child care facilities.
- **Treatment of Jointly Owned/Operated Facilities**: A facility would still be considered a qualified child care facility even if jointly owned or operated by the taxpayer and other persons.
- **Effective Date**: These amendments would apply to amounts paid or incurred after December 31, 2025.

Sec. 70402. Enhancement of Adoption Credit

This section modifies the adoption credit under Sec. 23.

- **Refundable Portion of Credit**: A **$5,000 portion of the adoption credit would become refundable**. This refundable portion would be treated as a credit allowed under Subpart C

rather than the current subpart, and it would not be carried forward under the existing carryforward rules.

- **Inflation Adjustment**: The $5,000 refundable amount, along with other dollar amounts in the adoption credit sections, would be subject to inflation adjustments for taxable years beginning after December 31, 2002. For the refundable portion specifically, the inflation adjustment would substitute "2025" for "2002" and "calendar year 2024" for "calendar year 2001".
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2024.

Sec. 70403. Recognizing Indian Tribal Governments for Purposes of Determining Whether a Child Has Special Needs for Purposes of the Adoption Credit

This section clarifies the recognition of Indian tribal governments concerning children with special needs for the adoption credit.

- **Inclusion of Indian Tribal Governments**: Sec. 23(d)(3) is amended to include "Indian tribal government" alongside "State" for purposes of determining if a child has special needs.
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2024.

Sec. 70404. Enhancement of the Dependent Care Assistance Program

This section enhances the dependent care assistance program.

- **Increased Exclusion Limit**: The maximum amount that can be excluded from gross income for dependent care assistance under Sec. 129(a)(2)(A) would increase from $5,000 ($2,500 for a separate return by a married individual) to **$7,500 ($3,750 for a separate return by a married individual)**.
- **Effective Date**: This amendment would apply to taxable years beginning after December 31, 2025.

Sec. 70405. Enhancement of Child and Dependent Care Tax Credit

This section enhances the child and dependent care tax credit.

- **Applicable Percentage Modification**: The "applicable percentage" used to determine the credit would change. It would start at **50 percent**, reduced (but not below 35 percent) by 1 percentage point for each $2,000 (or fraction thereof) by which adjusted gross income (AGI) exceeds $15,000. It would be further reduced (but not below 20 percent) by 1 percentage point for each $2,000 ($4,000 in the case of a joint return) by which the taxpayer's AGI exceeds $75,000 ($150,000 in the case of a joint return).

- **Effective Date**: This amendment would apply to taxable years beginning after December 31, 2025.

Subchapter B—Permanent Investments In Students and Reforms to Tax-Exempt Institutions

Sec. 70411. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations

This section introduces a new tax credit for individuals contributing to scholarship granting organizations and an exclusion from gross income for the scholarships received.

- **New Credit (Sec. 25F)**: A new credit, **"Qualified Elementary and Secondary Education Scholarships,"** would be allowed against the income tax for qualified cash contributions made by individuals to scholarship granting organizations.
- **Credit Limitations**: The maximum credit would be **$1,700 per taxable year**. The credit amount would be reduced by any amount allowed as a credit on a State tax return for the same contributions.
- **Definitions**:
    - **Covered State**: A State or the District of Columbia that voluntarily elects to participate and identify scholarship granting organizations.
    - **Eligible Student**: An individual whose household income is not greater than 300 percent of the area median gross income and is eligible to enroll in a public elementary or secondary school.
    - **Qualified Contribution**: A charitable contribution of cash to a scholarship granting organization that funds scholarships for eligible students solely within the State where the organization is listed.
    - **Qualified Elementary or Secondary Education Expense**: Any expense of an eligible student described in Sec. 530(b)(3)(A).
    - **Scholarship Granting Organization**: A 501(c)(3) organization (not a private foundation) that maintains separate accounts for qualified contributions.
- **Denial of Double Benefit**: Qualified contributions for which this credit is claimed cannot also be taken as a charitable contribution deduction under Sec. 170.
- **Carryforward**: Unused credit can be carried forward for up to five succeeding taxable years.
- **State List of Organizations**: Participating States must annually provide the Secretary with a list of qualifying scholarship granting organizations.
- **Gross Income Exclusion (Sec. 139K)**: A new section would be added to exclude from gross income any amounts received by an individual or dependent as a scholarship for qualified elementary or secondary education expenses from a scholarship granting organization.

- **Effective Dates**:
    - The credit amendments would apply to taxable years ending after December 31, 2026.
    - The gross income exclusion amendments would apply to amounts received after December 31, 2026, in taxable years ending after that date.

Sec. 70412. Exclusion for Employer Payments of Student Loans

This section makes permanent and enhances the exclusion for employer payments of student loans.

- **Permanent Extension**: The exclusion from gross income for employer payments of student loans would be made **permanent** by striking the January 1, 2026, termination date.
- **Inflation Adjustment**: For taxable years beginning after 2026, the **$5,250 exclusion amount** would be increased by an amount equal to the cost-of-living adjustment from calendar year 2025.
- **Effective Date**: The amendments would apply to payments made after December 31, 2025.

Sec. 70413. Additional Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts

This section expands the definition of qualified higher education expenses for 529 accounts.

- **Expanded Definition**: Sec. 529(c)(7) would be amended to include various elementary and secondary public, private, or religious school expenses as "qualified higher education expenses". These include:
    - Tuition
    - Curriculum and curricular materials
    - Books or other instructional materials
    - Online educational materials
    - Tuition for tutoring or educational classes outside the home, with specific instructor qualifications
    - Fees for nationally standardized achievement tests, advanced placement exams, or college admission exams.
    - Fees for dual enrollment in an institution of higher education.
    - Educational therapies for students with disabilities, provided by a licensed or accredited practitioner.
- **Increased Limitation for Elementary/Secondary Tuition**: The existing $10,000 limitation on elementary and secondary tuition in Sec. 529(e)(3) would be increased to **$20,000**.

- **Effective Dates**:
    - The amendments relating to expanded expenses would apply to distributions made after July 4, 2025..
    - The increased limitation amendment would apply to taxable years beginning after December 31, 2025.

Sec. 70414. Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts

This section further expands qualified higher education expenses for 529 accounts to include certain postsecondary credentialing expenses.

- **Inclusion of Postsecondary Credentialing Expenses**: A new subparagraph (C) would be added to Sec. 529(e)(3) to include **"qualified postsecondary credentialing expenses"**.
- **Definition of Qualified Postsecondary Credentialing Expenses**: A new subsection (f) would define this term to include:
    - Tuition, fees, books, supplies, and equipment for enrollment/attendance in a recognized postsecondary credential program, or other related expenses if they would be covered for an eligible educational institution.
    - Fees for testing required to obtain or maintain a recognized postsecondary credential.
    - Fees for continuing education required to maintain a recognized postsecondary credential.
- **Definition of Recognized Postsecondary Credential Program**: A program to obtain a recognized postsecondary credential if it is included on a State list under the Workforce Innovation and Opportunity Act, or identified by the Secretary as reputable.
- **Definition of Recognized Postsecondary Credential**: This includes industry-recognized postsecondary employment credentials accredited by specific bodies, occupational or professional licenses, and credentials defined under the Workforce Innovation and Opportunity Act.
- **Effective Date**: These amendments would apply to distributions made after July 4, 2025..

Sec. 70415. Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities

This section modifies the excise tax on investment income for private colleges and universities.

- **Revised Tax Rates**: Sec. 4968 would be entirely rewritten to impose a tax on applicable educational institutions based on their "student adjusted endowment". The applicable percentages would be:
    - **1.4 percent** for institutions with student adjusted endowment of at least $500,000 but not exceeding $750,000.
    - **4 percent** for institutions with student adjusted endowment exceeding $750,000 but not exceeding $2,000,000.
    - **8 percent** for institutions with student adjusted endowment exceeding $2,000,000.
- **Net Investment Income Modifications**:
    - **Student Loan Interest**: Interest income from student loans made by the institution (or related organization) would be included as gross investment income.
    - **Federally-Subsidized Royalty Income**: This new category of income, defined as royalty income where Federal funds were used in the research, development, or creation of the intellectual property, would be included as gross investment income, overriding previous regulatory exemptions.
- **Related Organizations**: Assets and net investment income of related organizations would generally be treated as those of the educational institution, with specific exceptions.
- **Reporting Requirements**: Applicable educational institutions subject to the tax would be required to report the number of tuition-paying students and the total number of students on their return.
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2025.

Sec. 70416. Expanding Application of Tax on Excess Compensation within Tax-Exempt Organizations

This section expands the application of the excise tax on excess compensation paid by tax-exempt organizations.

- **Expanded Definition of Covered Employee**: The definition of "covered employee" for purposes of the excise tax on excess compensation (Sec. 4960) would be expanded to include **any employee or former employee** who was an employee during any taxable year beginning after December 31, 2016.
- **Effective Date**: This amendment would apply to taxable years beginning after December 31, 2025.

Subchapter C—Permanent Investments In Community Development

Sec. 70421. Permanent Renewal and Enhancement of Opportunity Zones

This section makes significant changes to and permanently extends the Opportunity Zones program.

- **Decennial Designations**:
    - Opportunity zones would be re-determined decennially, with the **"decennial determination date" set as July 1, 2026**, and every 10 years thereafter.
    - The special rule for Puerto Rico would be repealed, effective December 31, 2026.
- **Qualification for Designations**:
    - **New Definition of Low-Income Community**: The criteria for a "low-income community" would be revised. It would include population census tracts where median family income is no more than 70 percent of the statewide or metropolitan area median income. Alternatively, it would include tracts with a poverty rate of at least 20 percent AND a median family income not exceeding 125 percent of the statewide or metropolitan area median income.
    - **Repeal of Contiguous Census Tracts Rule**: The rule allowing designation of contiguous census tracts would be repealed.
    - **Fixed Designation Period**: A designation would remain in effect for a period of **10 years** from the "applicable start date," defined as January 1 following the certification and designation by the Secretary.
    - **Effective Date for Designations**: These amendments would apply to areas designated after July 4, 2025..
- **Application of Special Rules for Capital Gains**:
    - **Repeal of Sunset on Election**: The sunset date for making elections to defer gain invested in opportunity zone property would be removed, allowing **permanent elections**.
    - **Modification of Gain Deferral Rules**:
        - **Year of Inclusion**: Deferred gain would be included in gross income in the taxable year that includes the **earlier of the date the investment is sold/exchanged or 5 years after the investment was made**.
        - **Basis Adjustments**: The basis in the investment would generally be zero but increased by gain recognized at the 5-year inclusion date.
        - **10% Basis Step-Up for 5-Year Hold**: For investments held for at least 5 years, the basis would increase by **10 percent** of the deferred gain. This increase would apply *before* the 5-year inclusion date.
        - **30% Basis Step-Up for Rural Opportunity Funds**: For investments in a **"qualified rural opportunity fund"**, the basis increase after 5 years would be **30 percent** of the deferred gain. A "qualified rural opportunity fund" is

defined as a qualified opportunity fund holding at least 90% of its assets in qualified opportunity zone business property used primarily in a "rural area". A "rural area" is defined as any area other than a city/town with population >50,000 or contiguous urbanized areas.

- **10-Year Hold Rule Modified**: For investments held at least 10 years, the basis would be the fair market value of the investment on the date of sale/exchange (if sold before 30 years after investment) or on the date that is 30 years after the investment (in other cases).

- **Effective Dates for Capital Gains Rules**: These amendments would apply to amounts invested in qualified opportunity funds after December 31, 2026.

- **Determination of Qualified Opportunity Zone Property**:
  - The "original use" rule for qualified opportunity zone business property (Sec. 1400Z-2(d)(2)(D)(i)(I)) would be updated to refer to the "applicable start date".
  - The "applicable date" for qualified opportunity zone stock and partnership interests would be defined as the earliest applicable start date with respect to the underlying qualified opportunity zone business property.
  - **Special Rule for Rural Area Improvement**: For property in a qualified opportunity zone comprised entirely of a rural area, the "substantial improvement" test for qualified opportunity zone business property (Sec. 1400Z-2(d)(2)(D)(ii)) would require an increase in basis by **50 percent** (instead of 100 percent) of the adjusted basis of the property within 30 months. This specific change takes effect on July 4, 2025..
- **Information Reporting**:
  - **New Reporting Requirements for Funds (Sec. 6039K)**: Qualified opportunity funds would be required to file annual returns with extensive information, including fund assets, qualified opportunity zone property held, details on investments in qualified opportunity zone businesses (NAICS code, location, employment impact, residential units), and details on dispositions by investors.
  - **Statements to Investors**: Funds must furnish statements to investors whose investments were disposed of during the year.
  - **Application to Rural Funds**: Similar reporting requirements would apply to "qualified rural opportunity funds".
  - **Information from Businesses (Sec. 6039L)**: Qualified opportunity zone businesses would need to furnish information to qualified opportunity funds to enable them to meet their reporting requirements.
  - **Penalties**: New penalties would be imposed for failure to comply with these reporting requirements, ranging from $500 per day (up to $10,000 or $50,000 for large funds) to higher amounts for intentional disregard. Penalties would be inflation-adjusted.

  - **Electronic Filing**: Qualified opportunity funds and rural opportunity funds would be required to file returns on magnetic media or other machine-readable form.
  - **Effective Date for Reporting**: These amendments would apply to taxable years beginning after July 4, 2025..
- **Secretary Reporting of Data**: The Secretary of the Treasury would be appropriated **$15,000,000** to make publicly available annual reports on qualified opportunity funds and separate reports for qualified rural opportunity funds. These reports would include information on aggregate assets, investments by NAICS code, percentage of zones with investments, employment impact, real property investments (including residential units), and aggregate investments per census tract. Starting in the 6th year, reports would also include impacts on economic indicators like job creation and poverty reduction, along with comparisons to pre-existing data and similar non-designated tracts.

Sec. 70422. Permanent Enhancement of Low-Income Housing Tax Credit

This section permanently enhances the Low-Income Housing Tax Credit (LIHTC).

- **Permanent State Housing Credit Ceiling Increase**: The increase in the State housing credit ceiling (from $1.75 to $2.00 per capita) would be made **permanent**, applying to calendar years beginning after December 31, 2025. The applicable multiplier would change from 1.125 to **1.12**.
- **Tax-Exempt Bond Financing Requirement (50/25 Rule)**:
  - The requirement that 50% or more of the aggregate basis of a building and land be financed by tax-exempt bonds for the 9% credit to apply would be modified.
  - A new special rule would apply if **25 percent or more** of the aggregate basis is financed by tax-exempt bonds, and at least 5 percent of the financing comes from bonds issued after December 31, 2025. This would allow more projects to qualify for the 9% credit with less tax-exempt bond financing.
- **Effective Dates**:
  - The credit ceiling amendments apply to calendar years beginning after December 31, 2025.
  - The tax-exempt bond financing requirement amendments apply to buildings placed in service in taxable years beginning after December 31, 2025.

Sec. 70423. Permanent Extension of New Markets Tax Credit

This section permanently extends the New Markets Tax Credit.

- **Permanent Extension**: The New Markets Tax Credit (Sec. 45D(f)(1)(H)) would be extended **permanently**, applying for each calendar year after 2019.

- **Carryover of Unused Limitation**: The carryover period for unused limitations would be limited to the **fifth calendar year** after the year the excess occurred. Any excess from a calendar year before 2026 would be treated as occurring in calendar year 2025.
- **Effective Date**: These amendments would apply to calendar years beginning after December 31, 2025.

Sec. 70424. Permanent and Expanded Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize

This section permanently reinstates and expands the partial deduction for non-itemizing individuals' charitable contributions.

- **Increased Deduction Limit**: The 2021-only $300 ($600 for joint filers) limit for the partial deduction for individuals not itemizing would be restored and increased to **$1,000 ($2,000 for joint filers)**.
- **Permanent Reinstatement**: The previous long ago passed sunset on this deduction would be removed, making it **permanent**. It previously applied only to tax years beginning in 2021.
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2025.

Sec. 70425. 0.5 Percent Floor on Deduction of Contributions Made by Individuals

This section introduces a new floor for charitable contribution deductions for individuals.

- **0.5 Percent Floor**: A new subparagraph (I) would be added to Sec. 170(b)(1), requiring that an individual's charitable contributions (otherwise allowable) are allowed **only to the extent that their aggregate exceeds 0.5 percent of the taxpayer's "contribution base"** for the taxable year.
- **Order of Application**: This floor would apply after other limitations on charitable contributions, in a specified order for different types of contributions (e.g., public charities, private foundations, etc.).
- **Carryforward Rules**: Contributions disallowed solely by this 0.5 percent floor would be carried forward.
- **Coordination with Non-Itemizer Deduction**: The non-itemizer deduction (Sec. 170(p)) would be coordinated with this new floor.
- **Modification of Cash Contributions Limitation**: The 60 percent of contribution base limitation for cash contributions to public charities (Sec. 170(b)(1)(G)(i)) would be modified. The deduction would be allowed up to 60 percent of the contribution base, *over* the amount of other contributions taken into account. Other coordination rules are provided.
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2025.

Sec. 70426. 1-Percent Floor on Deduction of Charitable Contributions Made by Corporations

This section introduces a new floor for charitable contribution deductions for corporations.

- **1 Percent Floor and 10 Percent Ceiling**: For corporations, charitable contributions (other than certain contributions like those to private operating foundations) would be allowed **only to the extent that their aggregate exceeds 1 percent of the taxpayer's taxable income** for the taxable year, and **does not exceed 10 percent** of taxable income.
- **Carryforward Rules**: Charitable contributions disallowed by either the 1 percent floor or the 10 percent ceiling would be carried forward for up to 5 years. Special rules apply for net operating loss carryovers.
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2025.

Sec. 70427. Permanent Increase in Limitation on Cover Over of Tax on Distilled Spirits

This section permanently increases the limitation on the cover over of tax on distilled spirits.

- **Increased Limitation**: Sec. 7652(f)(1) would be amended to increase the per-proof gallon cover over rate for distilled spirits from $13.25 (current, implied) to **$13.25**. (Note: The provided text shows "$13.25" both for current and new, which may indicate no change or a typo in the source if an increase was intended to be shown).
- **Effective Date**: This amendment would apply to distilled spirits brought into the United States after December 31, 2025.

Sec. 70428. Nonprofit Community Development Activities in Remote Native Villages

This section specifies the tax treatment of certain nonprofit community development activities.

- **Exemption for Fisheries Activities**: Activities substantially related to participation or investment in Bering Sea and Aleutian Islands fisheries, carried on by specific entities (identified in 16 U.S.C. 1855(i)(1)(D)), would be considered **substantially related to the entity's 501(a) exemption** if they further certain purposes. This includes harvesting, processing, transportation, sales, and marketing of fish products.
- **Tax-Free Transfers from Subsidiaries**: If a wholly-owned subsidiary engaged in such fisheries activities transfers its assets to the parent entity within 18 months of enactment, **no gain or income would be recognized** from the transfer, and all future income from such transferred business would be **exempt from taxation**.
- **Effective Date**: This section takes effect on July 4, 2025. and remains effective during the existence of the western Alaska community development quota program.

Sec. 70429. Adjustment of Charitable Deduction for Certain Expenses Incurred in Support of Native Alaskan Subsistence Whaling

This section increases the limitation on the charitable deduction for expenses related to Native Alaskan subsistence whaling.

- **Increased Deduction Limit**: The annual dollar limitation on the deduction for certain whaling expenses (Sec. 170(n)(1)) would increase from $10,000 to **$50,000**.
- **Effective Date**: This amendment would apply to taxable years beginning after December 31, 2025.

Sec. 70430. Exception to Percentage of Completion Method of Accounting for Certain Residential Construction Contracts

This section modifies the exception to the percentage of completion method of accounting.

- **Residential Construction Contracts**: The exception to the percentage of completion method (Sec. 460(e)) would apply to "residential construction contracts" instead of "home construction contracts". For residential construction contracts that are not home construction contracts, a 3-year lookback period would be substituted for the current 2-year period.
- **AMT Application**: The exception would also apply for alternative minimum tax purposes, referring to "any residential construction contract".
- **Effective Date**: These amendments would apply to contracts entered into in taxable years beginning after July 4, 2025..

Subchapter D—Permanent Investments In Small Business and Rural America

Sec. 70431. Expansion of Qualified Small Business Stock Gain Exclusion

This section significantly expands the exclusion for gain from qualified small business stock (QSBS) under Sec. 1202.

- **Phased Increase in Exclusion**:
    - For QSBS acquired **on or before the "applicable date"** (July 4, 2025. of this paragraph), the exclusion remains 50% for stock held more than 5 years.
    - For QSBS acquired **after the "applicable date"**, the exclusion percentage would depend on the holding period:
        - **3 years**: 50%.
        - **4 years**: 75%.
        - **5 years or more**: **100%**.

    - The holding period for applying the exclusion for stock acquired after the applicable date would be reduced to **at least 3 years** (from more than 5 years).
- **Continued Non-Tax Preference Treatment**: The exclusion from alternative minimum tax (AMT) for QSBS gain would continue, with a specific reference to stock acquired on or before the enactment of the Creating Small Business Jobs Act of 2010.
- **Increase in Per-Issuer Limitation**:
    - **Applicable Dollar Limit**: New dollar limits would apply for the total eligible gain excluded from QSBS:
        - For stock acquired **on or before the applicable date**: **$10,000,000**.
        - For stock acquired **after the applicable date**: **$15,000,000**.
    - **Inflation Adjustment**: The $15,000,000 amount for stock acquired after the applicable date would be adjusted for inflation for taxable years beginning after 2026, based on the cost-of-living adjustment from calendar year 2025.
    - **Separate Returns for Married Individuals**: For separate returns, the $10,000,000 limit would be $5,000,000, and the $15,000,000 limit would be one-half.
- **Increase in Aggregate Gross Assets Limit**: The maximum aggregate gross assets a corporation can have to be considered a qualified small business for QSBS purposes (Sec. 1202(d)(1)) would increase from $50,000,000 to **$75,000,000**. This $75,000,000 amount would also be inflation-adjusted for taxable years beginning after 2026.
- **Effective Dates**:
    - The amendments for the phased increase in exclusion (subsection (a)) generally apply to taxable years beginning after July 4, 2025., with the non-tax preference treatment effective as if included in the 2010 Act.
    - The increase in the per-issuer limitation (subsection (b)) applies to taxable years beginning after July 4, 2025..
    - The increase in the aggregate gross assets limit (subsection (c)) applies to stock issued after July 4, 2025..

Sec. 70432. Repeal of Revision to De Minimis Rules for Third Party Network Transactions

This section reinstates the previous de minimis reporting thresholds for third-party payment network transactions.

- **Reinstatement of Higher Thresholds**: The reporting thresholds for third-party settlement organizations (Sec. 6050W(e)) would revert to the prior law: reporting is only required if the aggregate amount of transactions exceeds **$20,000 AND the aggregate number of transactions exceeds 200**. This essentially repeals the $600 threshold that was enacted by the American Rescue Plan Act of 2021.
- **Backup Withholding Application**: The de minimis rule would also apply to backup withholding, meaning payments in settlement of third-party network transactions are

reportable payments only if the aggregate transactions meet the $20,000 and 200 transaction thresholds.

- **Effective Dates**:
    - The reinstatement of the de minimis thresholds takes effect as if included in the American Rescue Plan Act.
    - The backup withholding amendments apply to calendar years beginning after December 31, 2024.

Sec. 70433. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees

This section increases the threshold for miscellaneous information reporting.

- **Increased Reporting Threshold**: The general reporting threshold under Sec. 6041(a) for payments of income (e.g., rent, nonemployee compensation) would increase from $600 to **$2,000**.
- **Inflation Adjustment**: For calendar years after 2026, the $2,000 threshold would be adjusted for inflation based on the cost-of-living adjustment from calendar year 2025.
- **Application to Remuneration for Services**: The increased threshold would also apply to reporting requirements for remuneration for services and direct sales (Sec. 6041A(a)(2)).
- **Application to Backup Withholding**: The backup withholding threshold for "reportable payments" would align with the new $2,000 threshold under Sec. 6041(a).
- **Effective Date**: These amendments would apply to payments made after December 31, 2025.

Sec. 70434. Treatment of Certain Qualified Sound Recording Productions

This section expands the immediate expensing and bonus depreciation rules to include qualified sound recording productions.

- **Election to Expense Costs**: Taxpayers would be allowed to elect to treat costs of a **"qualified sound recording production"** as expenses.
- **Dollar Limitation**: The expensing election would not apply to aggregate costs exceeding **$150,000** for any single qualified sound recording production or all such productions in a taxable year.
- **No Other Deduction/Amortization**: If the election is made, no other deduction or amortization deduction would be allowed for these costs.
- **Qualified Sound Recording Production Defined**: A "qualified sound recording production" means a sound recording (as defined in 17 U.S.C. 101) produced and recorded in the United States.

- **Bonus Depreciation**: Qualified sound recording productions would be treated as "qualified property" eligible for **100 percent bonus depreciation** under Sec. 168(k)(2)(A)(i). A sound recording production would be considered "placed in service" at the time of initial release or broadcast.
- **Effective Date**: These amendments would apply to productions commencing in taxable years ending after July 4, 2025..

Sec. 70435. Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property

This section introduces an exclusion from gross income for a portion of interest received on certain loans secured by rural or agricultural real property.

- **25 Percent Exclusion**: Gross income would **not include 25 percent of the interest** received by a "qualified lender" on any "qualified real estate loan".
- **Qualified Lender Defined**: This term includes various financial institutions such as banks, savings associations, State/federally-regulated insurance companies, and certain entities owned by bank holding or insurance holding companies. It also includes federally chartered instrumentalities of the U.S. government for certain agricultural loans.
- **Qualified Real Estate Loan Defined**: Any loan secured by rural or agricultural real estate, made to a person other than a specified foreign entity, and made after July 4, 2025.. Refinancings would generally not qualify if the original loan was made on or before the enactment date.
- **Rural or Agricultural Real Estate**: Defined as real property substantially used for the production of one or more agricultural products.
- **Effective Date**: These amendments would apply to taxable years ending after July 4, 2025..

Sec. 70436. Reduction of Transfer and Manufacturing Taxes for Certain Devices

This section reduces federal excise taxes on transfers and manufacturing of certain firearms.

- **Reduced Tax Rate**: The transfer tax (Sec. 5811(a)) and manufacturing tax (Sec. 5821(a)) would be reduced to **$0** for firearms that are not machineguns or destructive devices. The $200 rate would remain for machineguns and destructive devices.
- **Conforming Amendment**: Firearms with the $0 tax rate would be deemed to have had their tax paid for purposes of Sec. 4182(a).
- **Effective Date**: These amendments would apply to calendar quarters beginning more than 90 days after July 4, 2025..

Sec. 70437. Treatment of Capital Gains from the Sale of Certain Farmland Property

This section allows for installment payments of tax on capital gains from the sale of qualified farmland property to qualified farmers.

- **Election for Installment Payments**: Taxpayers would be able to elect to pay the "applicable net tax liability" from the sale or exchange of "qualified farmland property" to a "qualified farmer" in **four equal installments**.
- **Payment Rules**: The first installment would be due on the original due date of the return for the year of sale, with succeeding installments due on the original due dates for the following taxable years.
- **Acceleration of Payment**: Payments would be accelerated upon failure to pay an installment, death of an individual taxpayer, or liquidation/sale of substantially all assets for C corporations, trusts, or estates.
- **Proration of Deficiency**: Deficiencies assessed on applicable net tax liability would be prorated to installments.
- **Definitions**:
    - **Applicable Net Tax Liability**: The excess of the taxpayer's net income tax for the year over the tax without the gain from the farmland sale.
    - **Qualified Farmland Property**: Property that is (or was for at least 5 years) substantially used for farming purposes and subject to a legally enforceable restriction ensuring it remains farmland for at least 30 years.
    - **Qualified Farmer**: An individual actively engaged in farming (as defined by the Food Security Act of 1986).
- **Return Requirement**: An election requires including a copy of the farmland covenant/restriction with the return.
- **Effective Date**: These amendments would apply to sales or exchanges in taxable years beginning after July 4, 2025..

Sec. 70438. Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses

This section extends the favorable tax treatment for certain disaster-related personal casualty losses.

- The Taxpayer Certainty and Disaster Tax Relief Act of 2020 (P.L. 116-260), Sec. 301, would have its **effective date extended by substituting "the date of the enactment of this section" (of the OBBBA) for "the date of the enactment of this Act"** (the Taxpayer Certainty and Disaster Relief Act of 2020). This modification prolongs the special relief provisions of the 2020 Act to encompass disasters occurring up to 60 days after the OBBBA's enactment.

- This extension permits victims of covered disasters, such as those affected by **wildfires in Los Angeles and Kentucky**, and **storms in various states**, to claim a deductible personal casualty loss without needing to itemize deductions. Furthermore, these victims will be exempt from the 10% adjusted gross income limitation typically imposed on such deductions.

Sec. 70439. Restoration of Taxable REIT Subsidiary Asset Test

This section restores the taxable REIT subsidiary asset test.

- **Increased Asset Test Threshold**: Sec. 856(c)(4)(B)(ii), which relates to the asset test for a taxable REIT subsidiary, would revert its threshold from "20 percent" to **"25 percent"**. This means that at the close of each quarter, not more than 25% (previously 20%) of the value of the REIT's total assets can be represented by securities of one or more taxable REIT subsidiaries.
- **Effective Date**: This amendment would apply to taxable years beginning after December 31, 2025.

Subtitle A — Tax, Chapter 5 — Ending Green New Deal Spending, Promoting America-First Energy, and Other Reforms

Subchapter A—Termination of Green New Deal Subsidies.

This subchapter proposes to **terminate or significantly restrict several credits and deductions related to clean energy and vehicles**.

Sec. 70501. Termination of Previously-Owned Clean Vehicle Credit.

This section amends section 25E(g) of the Internal Revenue Code to **terminate the previously-owned clean vehicle credit by changing its sunset date from December 31, 2032, to September 30, 2025**.

Sec. 70502. Termination of Clean Vehicle Credit.

This section amends section 30D(h) of the Internal Revenue Code to **terminate the clean vehicle credit for vehicles acquired after September 30, 2025**. It also removes specific eligibility criteria from section 30D(e) related to the sunsetting provisions.

Sec. 70503. Termination of Qualified Commercial Clean Vehicles Credit.

This section amends section 45W(g) of the Internal Revenue Code to **terminate the qualified commercial clean vehicles credit by moving its sunset date from December 31, 2032, to September 30, 2025**.

Sec. 70504. Termination of Alternative Fuel Vehicle Refueling Property Credit.

This section amends section 30C(i) of the Internal Revenue Code to **terminate the alternative fuel vehicle refueling property credit by changing its sunset date from December 31, 2032, to June 30, 2026**.

Sec. 70505. Termination of Energy Efficient Home Improvement Credit.

This section amends section 25C(h) of the Internal Revenue Code to **terminate the energy efficient home improvement credit for property placed in service after December 31, 2025**. Additionally, it revises the requirements for oil furnaces or hot water boilers under section 25C(d)(2)(C) to mandate meeting 2021 Energy Star criteria and being rated for fuel blends with at least 20 percent eligible fuel.

Sec. 70506. Termination of Residential Clean Energy Credit.

This section amends section 25D(h) of the Internal Revenue Code to **terminate the residential clean energy credit for expenditures made after December 31, 2025**. Conforming amendments are made to section 25D(g) by striking paragraphs (4) and (5).

Sec. 70507. Termination of Energy Efficient Commercial Buildings Deduction.

This section amends section 179D of the Internal Revenue Code by adding a new subsection (i), **terminating this deduction for property the construction of which begins after June 30, 2026**.

Sec. 70508. Termination of New Energy Efficient Home Credit.

This section amends section 45L(h) of the Internal Revenue Code to **terminate the new energy efficient home credit by changing its sunset date from December 31, 2032, to June 30, 2026**.

Sec. 70509. Termination of Cost Recovery for Energy Property.

This section amends section 168(e)(3)(B)(vi) of the Internal Revenue Code to **terminate certain cost recovery provisions for energy property by striking subclause (I)** and redesignating subsequent subclauses. These changes apply to property the construction of which begins after December 31, 2024.

Sec. 70510. Modifications of Zero-Emission Nuclear Power Production Credit.

This section amends section 45U(c) of the Internal Revenue Code to **restrict the zero-emission nuclear power production credit**. Specifically, it disallows the credit for:

- **Specified foreign entities** (as defined in section 7701(a)(51)(B)) for taxable years beginning after July 4, 2025..
- **Foreign-influenced entities** (as defined in section 7701(a)(51)(D), without regard to clause (i)(II)) for taxable years beginning two years after July 4, 2025.. These amendments apply to taxable years beginning after July 4, 2025. of the One Big Beautiful Bill Act.

Sec. 70511. Termination of Clean Hydrogen Production Credit.

This section amends section 45V(c)(3)(C) of the Internal Revenue Code to **terminate the clean hydrogen production credit by changing its sunset date from January 1, 2033, to January 1, 2028**.

Sec. 70512. Termination and Restrictions on Clean Electricity Production Credit.

This section significantly modifies section 45Y of the Internal Revenue Code, including:

- **Termination for wind and solar facilities**: The credit will not apply to applicable wind and solar facilities placed in service after December 31, 2027.
- **Restrictions related to prohibited foreign entities**:
    - **Facilities whose construction begins after December 31, 2025, are ineligible if they include "material assistance from a prohibited foreign entity"** (as defined in new section 7701(a)(52)).
    - The credit is disallowed if the taxpayer is a "specified foreign entity" or "foreign-influenced entity".
    - **New definitions for "prohibited foreign entity," "specified foreign entity," and "foreign-influenced entity" are added to section 7701(a)**, detailing ownership, control, and contractual arrangements that classify an entity as prohibited.
    - Introduces **material assistance cost ratios** for qualified facilities, energy storage technology, and eligible components, with varying threshold percentages starting in 2026 and increasing annually.
    - **Denial of credit for wind and solar leasing arrangements**: No credit is determined if the taxpayer rents or leases such property to a third party.
    - **Enhancement of "nuclear energy communities"**: Modifies criteria in section 45(b)(11) to include areas with significant direct employment related to nuclear power advancement.

- **Prohibition on credit transfer**: Prohibits the transfer of certain clean energy credits to "specified foreign entities" under section 6418(g).
- **Extended assessment period**: Extends the statute of limitations to 6 years for deficiencies attributable to errors related to "material assistance from a prohibited foreign entity".
- **Accuracy-related penalties**: Amends section 6662 to apply substantial understatement penalties at a lower threshold (1% of tax, or without regard to certain limitations) for disallowance of applicable energy credits due to overstating material assistance cost ratios.
- **Penalty for supplier misstatements**: Adds new section 6695B, imposing penalties on suppliers for substantial misstatements on certifications related to prohibited foreign entity content.
- Effective dates vary depending on the specific amendment, generally applying to taxable years beginning after enactment or to facilities whose construction begins after specified dates.

Sec. 70513. Termination and Restrictions on Clean Electricity Investment Credit.

This section makes significant changes to section 48E of the Internal Revenue Code:

- **Termination for wind and solar facilities**: The credit terminates for qualified property part of applicable wind or solar facilities placed in service after December 31, 2027.
- **Restrictions related to prohibited foreign entities**: Similar to the production credit, it restricts the investment credit for facilities or property whose construction begins after December 31, 2025, if they include "material assistance from a prohibited foreign entity". The credit is also disallowed if the taxpayer is a "specified foreign entity" or "foreign-influenced entity".
- **Recapture provisions**: New section 50(a)(4) is added to impose a 100% recapture if "applicable payments" (related to effective control by foreign entities) are made by a specified taxpayer to a prohibited foreign entity within 10 years of placing the property in service.
- **Denial of credit for wind and solar leasing arrangements**: No credit is determined for qualified investment if the taxpayer rents or leases such property to a third party.
- **Domestic content rules**: Modifies section 48E(a)(3)(B) to implement adjusted percentages for domestic content, ranging from 35% to 55% for facilities and energy storage technology depending on the construction start year.
- **Elimination of energy credit for certain energy property**: Amends section 48(a)(2) to set the energy percentage to 0% for certain energy property and prevents any increases.
- **Application to qualified fuel cell property**: Applies the clean electricity investment credit to qualified fuel cell property (as defined in section 48(c)(1), without regard to subparagraph

(E)), with an applicable percentage of 30% that cannot be increased, and exempts it from certain other rules.
- Effective dates vary, with some applying to taxable years beginning after enactment, others to property construction beginning on or after specific dates (e.g., June 16, 2025, or December 31, 2025), and termination for wind/solar facilities applying to construction beginning 12 months after enactment.

Sec. 70514. Phase-Out and Restrictions on Advanced Manufacturing Production Credit.

This section amends section 45X of the Internal Revenue Code:

- **Modification of integrated components rule**: For components sold in taxable years beginning after December 31, 2026, a "primary component" integrated into a "secondary component" is treated as sold if the secondary component is sold to an unrelated person, but only if at least 65% of the secondary component's direct material costs are from US-mined/produced/manufactured primary components.
- **Phase-out and termination**:
    - **Applicable critical minerals (other than metallurgical coal)**: A phase-out percentage applies, reducing the credit from 75% in 2031 to 0% after December 31, 2033.
    - **Wind energy components**: The credit terminates for components produced and sold after December 31, 2027.
    - **Metallurgical coal**: The credit terminates for metallurgical coal produced after December 31, 2029.
- **Restrictions related to prohibited foreign entities**:
    - "Eligible components" are disallowed if they include "material assistance from a prohibited foreign entity" for taxable years beginning after July 4, 2025..
    - The credit is disallowed if the taxpayer is a specified foreign entity or a foreign-influenced entity.
- **Definition of battery module**: Expands the definition to include "all other essential equipment needed for battery functionality".
- **Inclusion of metallurgical coal**: Includes metallurgical coal suitable for steel production as an "applicable critical mineral," with a credit amount of 2.5%.
- Generally applies to taxable years beginning after July 4, 2025., with specific dates for integrated components.

Sec. 70515. Restriction on the Extension of Advanced Energy Project Credit Program.

This section amends section 48C(e)(3)(C) of the Internal Revenue Code to explicitly state that the **advanced energy project credit program "shall not be increased"**. This amendment takes effect on July 4, 2025..

Subchapter B—Enhancement of America-First Energy Policy.

This subchapter introduces provisions aimed at promoting domestic energy production and related activities.

Sec. 70521. Extension and Modification of Clean Fuel Production Credit.

This section amends section 45Z of the Internal Revenue Code:

- **Prohibition on foreign feedstocks**: For transportation fuel produced after December 31, 2025, the credit requires the fuel to be **exclusively derived from a feedstock produced or grown in the United States, Mexico, or Canada**.
- **Prohibition on negative emission rates**: For emissions rates published for fuel produced after December 31, 2025, the emissions rate for transportation fuel cannot be less than zero, though specific animal manure feedstocks may have negative rates.
- **Determination of emissions rate**: For fuel produced after December 31, 2025, the emissions rate is adjusted to **exclude emissions attributed to indirect land use change**. Distinct emission rates will be provided for fuel derived from animal manure.
- **Extension of clean fuel production credit**: The sunset date for the credit is extended from December 31, 2027, to **December 31, 2029**.
- **Preventing double credit**: Clarifies rules to prevent multiple credits for the same fuel.
- **Sales to unrelated persons**: Grants the Secretary authority to prescribe additional related person rules to prevent abuse.
- **Sustainable Aviation Fuel (SAF)**: Coordinates SAF credits with section 45Z, generally disallowing SAF credit if a 45Z credit is available. It also **terminates the SAF credit subsection (6426(k)) after September 30, 2025**. The definition of SAF is modified.
- **Small Agri-Biodiesel Producer Credit**: Extends the small agri-biodiesel producer credit, **increases it from 10 cents to 20 cents**, and clarifies it's in addition to the 45Z credit and may be transferred. Applies to fuel sold or used after June 30, 2025.
- **Restrictions related to prohibited foreign entities**: Disallows the credit for specified foreign entities and foreign-influenced entities for taxable years beginning after July 4, 2025..

Sec. 70522. Restrictions on Carbon Oxide Sequestration Credit.

This section amends section 45Q of the Internal Revenue Code:

- **Restrictions related to prohibited foreign entities**: Disallows the credit for specified foreign entities and foreign-influenced entities for taxable years beginning after July 4, 2025..
- **Parity for different uses of qualified carbon oxide**:
    - Eliminates distinctions for credit amounts based on the disposal method (e.g., secure geological storage vs. tertiary injectant in enhanced oil/natural gas recovery), setting

a uniform applicable dollar amount of **$17 for 2025-2026** (adjusted for inflation thereafter).
- For carbon oxide utilized in a manner described in subsection (f)(5), the amount is **$36**.
- These changes apply to facilities or equipment placed in service after July 4, 2025..

Sec. 70523. Intangible Drilling and Development Costs Taken Into Account for Purposes of Computing Adjusted Financial Statement Income.

This section amends section 56A(c)(13) of the Internal Revenue Code for taxable years beginning after December 31, 2025. It requires that **adjusted financial statement income (AFSI) be reduced by depreciation deductions allowed under section 167 for section 168 property and by deductions for intangible drilling and development costs (IDCs) under section 263(c)**. It also requires disregarding depletion expense related to IDCs on the applicable financial statement when computing AFSI.

Sec. 70524. Income from Hydrogen Storage, Carbon Capture, Advanced Nuclear, Hydropower, and Geothermal Energy Added to Qualifying Income of Certain Publicly Traded Partnerships.

This section amends section 7704(d)(1)(E) of the Internal Revenue Code to **expand the definition of "qualifying income" for publicly traded partnerships (PTPs)** for taxable years beginning after December 31, 2025. Specifically, it includes income and gains derived from:

- The **transportation or storage of liquified hydrogen or compressed hydrogen**, or other specified fuels.
- Activities of a qualified facility (as defined in section 45Q(d)) where at least 50% of the total carbon oxide production is qualified carbon oxide.

Sec. 70525. Allow for Payments to Certain Individuals Who Dye Fuel.

This section adds a new section 6435 to the Internal Revenue Code, effective for eligible indelibly dyed diesel fuel or kerosene removed on or after 180 days after enactment. It establishes a mechanism for the Secretary to **pay an amount equal to the previously paid tax (under section 4081) to persons who remove eligible indelibly dyed diesel fuel or kerosene from a terminal**. This applies to fuel that was previously taxed but is exempt from taxation under section 4082(a).

Subchapter C—Other Reforms.

This subchapter includes miscellaneous reforms not directly categorized under the previous energy-related sections.

Sec. 70531. Modifications to De Minimis Entry Privilege for Commercial Shipments.

This section amends Sec. 321 of the Tariff Act of 1930:

- **Civil penalty**: Imposes a civil penalty of **up to $5,000 for the first violation and up to $10,000 for subsequent violations** on any person who uses the de minimis entry privilege for articles imported in violation of customs law. This penalty takes effect 30 days after enactment.
- **Repeal of commercial shipment exception**: **Repeals the commercial shipment exception** from the de minimis rule, effective July 1, 2027. This means the de minimis privilege will no longer apply to commercial shipments. The civil penalty added in subsection (a) is also repealed on this date.

Subtitle A — Tax, Chapter 6 — Enhancing Deduction and Income Tax Credit Guardrails, and Other Reforms

This chapter of the One Big Beautiful Bill Act focuses on modifications to existing tax deductions and credits, as well as introducing new guardrails and reporting requirements, largely affecting the Internal Revenue Code (Title 26 of the US Code).

Sec. 70601. Modification and Extension of Limitation on Excess Business Losses of Noncorporate Taxpayers.

This section proposes to modify and make permanent the limitation on excess business losses for noncorporate taxpayers.

- **Rule Made Permanent**: The existing rule under Sec. 461(l)(1) of the Internal Revenue Code that limits excess business losses of noncorporate taxpayers would be **made permanent by striking the sunset date of "January 1, 2029"**. This change would apply to taxable years beginning after December 31, 2026.
- **Adjustment of Amounts for Calculation**: For the purpose of calculating excess business losses, the amounts specified in Sec. 461(l)(3)(C) would be adjusted. Specifically, the reference date "December 31, 2018" would be changed to "**December 31, 2025**," and "2017" would be changed to "**2024**". These adjustments would be applicable to taxable years beginning after December 31, 2025.

Sec. 70602. Treatment of Payments From Partnerships to Partners for Property or Services.

This section modifies the statutory language concerning the treatment of payments from partnerships to partners for property or services.

- **In General**: Sec. 707(a)(2) of the Internal Revenue Code would be amended to change its introductory phrase from "Under regulations prescribed" to "**Except as provided**".
- **Effective Date**: These amendments would apply to services performed and property transferred after the date the One Big Beautiful Bill Act is enacted.
- **Rule of Construction**: The Act clarifies that these amendments do not imply any change in the proper treatment under Sec. 707(a) of the Internal Revenue Code for payments related to services performed or property transferred on or before the enactment date.

Sec. 70603. Excessive Employee Remuneration From Controlled Group Members and Allocation of Deduction.

This section introduces new rules to address excessive employee remuneration within controlled groups and how related deductions are allocated.

- **Application of Aggregation Rules**: A new paragraph (7) would be added to Sec. 162(m) of the Internal Revenue Code.
    - For a publicly held corporation that is part of a controlled group, the existing **$1,000,000 deduction limitation** for remuneration would specifically apply to a "specified covered employee".
    - If other members of the controlled group provide "applicable employee remuneration" to a specified covered employee, and the total of such remuneration exceeds $1,000,000, the limitation would apply to both that member and the publicly held corporation, using an "**allocable limitation amount**".
    - The "allocable limitation amount" would be a pro-rata share of the $1,000,000 limit, based on the remuneration provided by each member relative to the aggregate remuneration from all controlled group members to that employee.
    - A "specified covered employee" includes certain employees of the publicly held corporation or any employee who would qualify if all controlled group members' employees were considered.
    - A "controlled group" is defined as any group treated as a single employer under Sec. 414(b), (c), (m), or (o) of the Internal Revenue Code.
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2025.

Sec. 70604. Excise Tax on Certain Remittance Transfers.

This section introduces a new excise tax on specific types of remittance transfers.

- **Imposition of Tax**: A new Subchapter C, "Remittance Transfers," and Sec. 4475 would be added to Chapter 36 of the Internal Revenue Code.

    - An excise tax equal to **1 percent of the transfer amount** would be imposed on any remittance transfer.
    - The **sender** is responsible for paying this tax. The remittance transfer provider must **collect the tax from the sender and remit it quarterly** to the Secretary. If the tax is not collected at the time of transfer, the remittance transfer provider is secondarily liable.
- **Tax Limited to Cash and Similar Instruments**: The tax would only apply to transfers where the sender provides **cash, a money order, a cashier's check, or other similar physical instruments** to the remittance transfer provider.
- **Exclusions**: The tax would **not apply** to transfers funded by withdrawals from specified financial institution accounts (subject to 31 U.S.C. Chapter 53, Subchapter II) or by a U.S.-issued debit or credit card.
- **Definitions**: Key terms like "remittance transfer," "remittance transfer provider," "sender," "credit card," and "debit card" are defined by reference to sections of the Electronic Fund Transfer Act.
- **Anti-Conduit Rules**: For Sec. 7701(l) purposes, multiple-party arrangements involving the sender for a remittance transfer would be treated as financing transactions.
- **Effective Date**: These amendments would apply to transfers made after December 31, 2025.

Sec. 70605. Enforcement Provisions With Respect to COVID-Related Employee Retention Credits.

This section establishes new enforcement measures regarding COVID-19 Employee Retention Credits (ERTCs).

- **Penalty for Aiding and Abetting Understatement**: The Act refers to due diligence requirements similar to Sec. 6695(g) of the Internal Revenue Code. Penalties under this section would be treated and assessed like penalties under Sec. 6695(g) and Sec. 6201, respectively, applying to ERTC documents that are or relate to a return or refund claim.
- **COVID–ERTC Promoter Definition**: A "COVID–ERTC promoter" is defined as a person providing aid, assistance, or advice on a COVID–ERTC document who charges a fee based on the refund/credit amount and whose gross receipts from such activities meet certain thresholds (e.g., exceeding 20% of total gross receipts, or $500,000 for aggregate gross receipts over 20%). Certified professional employer organizations (Sec. 7705) are explicitly excluded. Aggregation rules for controlled groups apply, as do special rules for short taxable years.
- **Extension of Assessment Limitation**: The limitation period for assessing amounts related to an ERTC claimed under Sec. 3134 would be **extended to 6 years** after the latest of the original return filing date, the deemed filing date (Sec. 6501(b)(2)), or the date the credit/refund claim was made.

    - **Improperly Claimed ERTC Wages**: For assessments due to improperly claimed ERTCs, the limitation period for a credit or refund related to a deduction for "improperly claimed ERTC wages" would not expire before the assessment period. These are wages for which a deduction would not have been allowed had the credit portion been properly claimed.
- **Penalty for Erroneous Claims**: Sec. 6676(a) of the Internal Revenue Code would be amended to change "income tax" to "**income or employment tax**" for penalties on erroneous claims for refund or credit.
- **Effective Dates**: Provisions concerning aid, assistance, and advice, and limitations on credits/refunds, apply after the enactment date. The assessment extension applies to assessments made after the enactment date, and the penalty amendment applies to claims after the enactment date.
- **Regulations**: The Secretary of the Treasury is directed to issue necessary regulations or guidance.

Sec. 70606. Social Security Number Requirement for American Opportunity and Lifetime Learning Credits.

This section introduces new Social Security Number (SSN) requirements for taxpayers claiming the American Opportunity Tax Credit and Lifetime Learning Credits.

- **Identification Requirement**: Sec. 25A(g)(1) of the Internal Revenue Code would be amended to require taxpayers to include their **own SSN** on the tax return.
    - For credits related to the expenses of individuals other than the taxpayer or their spouse, the taxpayer must include that individual's **name and social security number**.
    - For the American Opportunity Tax Credit, taxpayers must also include the **employer identification number of the educational institution** to which qualified tuition and related expenses were paid.
    - The definition of "social security number" for this purpose aligns with Sec. 24(h)(7).
- **Omission as Clerical Error**: An omission of a correct SSN or EIN required for these credits would be treated as a **mathematical or clerical error** under Sec. 6213(g)(2)(J).
- **Effective Date**: These amendments would apply to taxable years beginning after December 31, 2025.

Sec. 70607. Task Force on the Replacement of Direct File.

This section appropriates funds for a report regarding the potential replacement of the Internal Revenue Service's Direct File program.

- **Funding**: **$15,000,000** is appropriated for fiscal year 2026 for the Department of the Treasury to carry out the provisions of this section, available until September 30, 2026.
- **Report Requirement**: The Secretary of the Treasury (or delegate) must deliver a report to Congress within 90 days of the Act's enactment, covering:
    - The **cost of enhancing and establishing public-private partnerships** to offer free tax filing to up to 70% of taxpayers (based on adjusted gross income) and to replace any IRS-run direct e-file programs.
    - **Taxpayer opinions and preferences** regarding government-run versus private-sector free services.
    - An **assessment of the feasibility of a new approach**, focusing on consistency, simplicity, and addressing taxpayer needs across providers.
    - The **cost** (including options for differential coverage) of developing and operating a free direct e-file tax return system, covering build and administration expenses.

Subtitle B — Health, Chapter 3 — Health Tax

Here is a summary of Chapter 3 of Subtitle B of Title VII of the One Big Beautiful Bill Act, indicating the changes it would make. This chapter, titled "Health Tax," primarily focuses on modifications to the Premium Tax Credit, health savings accounts, and related health care provisions.

Subchapter A—Improving Eligibility Criteria

Sec. 71301. Permitting Premium Tax Credit Only For Certain Individuals.

This section proposes to significantly restrict eligibility for the **Premium Tax Credit (PTC)**, allowing it only for "eligible aliens" among those lawfully present in the United States.

- **PTC Eligibility Restriction**: Sec. 36B(e)(1) of the Internal Revenue Code would be amended to **disallow the PTC for individuals who are not "eligible aliens"**, even if they are otherwise lawfully present in the U.S..
- **Definition of "Eligible Aliens"**: A new subparagraph (B) would be added to Sec. 36B(e)(2), defining an "eligible alien" as an individual who is an alien and lawfully present, and is reasonably expected to remain so for the entire enrollment period for which the credit is claimed. Further specific criteria for this status are referenced but not detailed in the provided text.
- **Verification Requirements**:
    - Sec. 1411 of the Patient Protection and Affordable Care Act would be amended to explicitly require the verification of whether a lawfully present alien is an "eligible alien" for PTC purposes.

    - The "applicable enrollment information" required for this verification would include: household income and family size, whether the individual is an eligible alien, health coverage status or eligibility, place of residence, and other information determined by the Secretary.
    - Attestations of immigration status would now specifically require attestation that the individual is an "eligible alien".
- **Advance Determinations**: Sec. 1412(d) of the Patient Protection and Affordable Care Act would be amended to clarify that advance determinations of PTC would not be available for aliens who are not "eligible aliens".
- **Minimum Essential Coverage Requirement**: Sec. 5000A(d)(3) would be amended to specifically require "eligible aliens" (rather than the broader "alien lawfully present in the United States") to maintain minimum essential coverage.
- **Effective Date**: These amendments would apply to **taxable years beginning after December 31, 2026**, with the conforming amendments related to verification applying to **plan years beginning on or after January 1, 2027**.

Sec. 71302. Disallowing Premium Tax Credit During Periods Of Medicaid Ineligibility Due To Alien Status.

This section proposes to modify the rules concerning the **Premium Tax Credit (PTC)**.

- **Change Made**: Sec. 36B(c)(1) of the Internal Revenue Code would be amended by **striking subparagraph (B)**.
- The Act eliminates a special rule in current law's Sec. 36B(c)(1)(B). This rule previously allowed legally present aliens with incomes below 100% of the poverty line, who were ineligible for Medicaid, to qualify for the PTC. As a result of this deletion, these individuals will no longer be eligible for the PTC.
- **Effective Date**: These amendments would apply to **taxable years beginning after December 31, 2025**.

Subchapter B—Preventing Waste, Fraud, And Abuse

Sec. 71303. Requiring Verification Of Eligibility For Premium Tax Credit.

This section establishes new **pre-enrollment verification requirements** for individuals claiming the Premium Tax Credit (PTC) through an Exchange.

- **Exchange Enrollment Verification Requirement**: A new paragraph (5) would be added to Sec. 36B(c) of the Internal Revenue Code.

    - A "coverage month" for PTC purposes would **not include any month beginning before the Exchange verifies** the individual's eligibility for both plan enrollment through the Exchange and advance payments of the credit.
    - **Required enrollment information** for verification would encompass: household income and family size, whether the individual is an eligible alien, health coverage status/eligibility, place of residence, and other information determined by the Secretary.
    - Verification for past months is permitted, allowing for retroactive treatment as a coverage month if eligibility is confirmed.
    - Notably, failing this verification does not, in itself, render an individual ineligible to enroll in a qualified health plan through an Exchange.
    - The Secretary is granted authority to **waive** this verification for certain special enrollment periods related to changes in family size.
- **Pre-Enrollment Verification Process Requirement for Exchanges**: Sec. 36B(c)(3)(A) would be amended to mandate that for a plan to qualify as a "qualified health plan" for PTC purposes, the Exchange must provide a **pre-enrollment verification process**. This process would allow applicants to verify their household income and enrollment eligibility for subsequent plan years by August 1.
- **Effective Date**: These amendments would apply to **taxable years beginning after December 31, 2027**.

Sec. 71304. Disallowing Premium Tax Credit In Case Of Certain Coverage Enrolled In During Special Enrollment Period.

This section aims to restrict the Premium Tax Credit (PTC) for individuals who enroll in coverage through **specific types of special enrollment periods**.

- **New Exception to Qualified Health Plan Definition**: A new clause (iii) would be added to Sec. 36B(c)(3)(A) of the Internal Revenue Code. This new provision would exclude from the definition of a "qualified health plan" (for PTC purposes) any plan enrolled in during a special enrollment period if:
    - The period is granted by an Exchange **based on the individual's expected household income's relationship to the poverty line** (or other amount specified by HHS).
    - The enrollment is **not tied to a specific event or change in circumstances** as designated by HHS for such purposes.
- **Effective Date**: These amendments would apply with respect to **plan years beginning after December 31, 2025**.

Sec. 71305. Eliminating Limitation On Recapture Of Advance Payment Of Premium Tax Credit.

This section proposes to **remove the statutory ceiling on the amount of advance PTC that a taxpayer must repay** when their actual credit is less than the advance payments received.

- **Repeal of Repayment Limitation**: Sec. 36B(f)(2) of the Internal Revenue Code, which currently limits the amount of excess advance PTC payments that must be repaid, would be **amended by striking subparagraph (B)**.
- **Conforming Amendments**: Corresponding language in Sec. 36B(f)(2) and Sec. 35(g)(12)(B)(ii) would be adjusted to align with the removal of subparagraph (B).
- **Effective Date**: These amendments would apply to **taxable years beginning after December 31, 2025**.

Subchapter C—Enhancing Choice For Patients

Sec. 71306. Permanent Extension Of Safe Harbor For Absence Of Deductible For Telehealth Services.

This section makes permanent a favorable tax rule related to **telehealth services for High Deductible Health Plans (HDHPs)**.

- **Permanent Safe Harbor**: Sec. 223(c)(2)(E) of the Internal Revenue Code would be amended to establish that a plan **will not cease to qualify as an HDHP solely because it provides for telehealth and other remote care services without requiring a deductible**. This action removes the previous sunset date for this flexibility.
- **Conforming Amendment**: Clause (ii) of Sec. 223(c)(1)(B) would be adjusted to remove the temporary nature of this HDHP safe harbor.
- **Effective Date**: These amendments would apply to **plan years beginning after December 31, 2024**.

Sec. 71307. Allowance Of Bronze And Catastrophic Plans In Connection With Health Savings Accounts.

This section proposes to expand eligibility for Health Savings Accounts (HSAs) by allowing **Bronze and Catastrophic health plans to be treated as High Deductible Health Plans (HDHPs)** for HSA purposes.

- **Inclusion as HDHPs**: A new subparagraph (H) would be added to Sec. 223(c)(2) of the Internal Revenue Code. This new provision would deem any plan offered as individual coverage through an Affordable Care Act Exchange and categorized as a Bronze plan (under Sec. 1302(d) of the PPACA) or a Catastrophic plan (under Sec. 1302(e) of the PPACA) to be

a **"high deductible health plan"**. This change would permit individuals enrolled in such plans to contribute to HSAs, assuming they meet all other HSA eligibility criteria.
- **Effective Date**: The amendment would apply to **months beginning after December 31, 2025**.

Sec. 71308. Treatment Of Direct Primary Care Service Arrangements.

This section clarifies the tax treatment of **Direct Primary Care (DPC) service arrangements**, impacting their interaction with High Deductible Health Plans (HDHPs) and Health Savings Accounts (HSAs).

- **DPC Not Treated as Health Plan**: A new subparagraph (E) would be added to Sec. 223(c)(1) of the Internal Revenue Code. This change specifies that a **DPC service arrangement will generally not be considered a "health plan"** for purposes of determining if an individual has disqualifying other health coverage for an HDHP and HSA.
    - **Definition**: A DPC arrangement is defined as an arrangement providing medical care (as per Sec. 213(d)) consisting solely of primary care services from primary care practitioners, compensated exclusively by a fixed periodic fee.
    - **Financial Limitation**: The exclusion would not apply if the aggregate monthly fees for all DPC arrangements exceed **$150** (or $300 for arrangements covering more than one individual).
    - **Excluded "Primary Care" Services**: Specific services would be explicitly excluded from the definition of primary care, including procedures requiring general anesthesia, most prescription drugs (except vaccines), and certain laboratory services. The Secretary is directed to issue regulations for this clause.
- **DPC Fees Treated as Medical Expenses**: Sec. 223(d)(2)(C) would be amended to include **fees for DPC service arrangements as qualified medical expenses** that can be paid from an HSA.
- **Inflation Adjustment**: The dollar limitations for DPC arrangements ($150 and $300) would be **adjusted for inflation** for taxable years beginning after 2026, using calendar year 2025 as the base year.
- **Effective Date**: These amendments would apply to **months beginning after December 31, 2025**.

Title VII, Subtitle D — Unemployment

Sec. 73001. Ending Unemployment Payments to Jobless Millionaires

- This section introduces a **prohibition on the use of Federal funds** for unemployment compensation (UC) benefits paid to individuals whose wages during their base period are

equal to or exceed $1,000,000. It also prohibits the use of Federal funds for any administrative costs associated with making such payments.

- To ensure compliance with this new rule:
    - **Self-Certification**: Any application for unemployment compensation under a U.S. program must include a form or procedure for the applicant to certify that their base period wages do not equal or exceed $1,000,000.
    - **Verification**: State agencies responsible for administering U.S. unemployment compensation programs are required to use available systems to verify wage eligibility by assessing claimant income to the extent possible.
    - **Recovery of Overpayments**: State agencies must also require individuals who have received UC amounts to which they were not entitled to repay those amounts.
- The prohibition on Federal funds for jobless millionaires' unemployment payments will apply to weeks of unemployment beginning on or after the date the Act is enacted.
- Each state adopts its own definition of the term **base period**, subject to federal guidelines. Per DOL Unemployment Insurance Program Letter No. 17-19, most states define a **regular base period** as the first four of the last five completed quarters, and many states provide an **alternative base period** that can be used by individuals who fail to qualify under the regular base period.

- The Act defines "unemployment compensation program of the United States" to include several Federal programs:
    - Unemployment compensation for Federal civilian employees under subchapter I of chapter 85 of title 5, United States Code.
    - Unemployment compensation for ex-servicemembers under subchapter II of chapter 85 of title 5, United States Code.
    - Extended benefits under the Federal-State Extended Unemployment Compensation Act of 1970.
    - Any Federal temporary extension of unemployment compensation.
    - Any Federal program that increases the weekly amount of unemployment compensation payable to individuals.

Source text used:

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