

(e) ~~EFFECTIVE DATE.~~— The amendments made by this section shall apply to buildings placed in service after December 31, 2021.

**\* Sec. 135505. Repeal of qualified contract option**

(a) ~~TERMINATION OF OPTION FOR CERTAIN BUILDINGS.~~—

(1) ~~IN GENERAL.~~— Subclause (II) of section 42(h)(7)(E)(i), as redesignated by section 135503, is amended by inserting "in the case of a building described in clause (iii)," before "on the last day".

(2) ~~BUILDINGS DESCRIBED.~~— Subparagraph (E) of section 42(h)(7), as so redesignated, is amended by adding at the end the following new clause:

"(iii) ~~BUILDINGS DESCRIBED.~~— A building described in this clause is a building—  
 "(I) which received its allocation of housing credit dollar amount before January 1, 2022, or

"(II) in the case of a building any portion of which is financed as described in paragraph (4), which received before January 1, 2022, a determination from the issuer of the tax-exempt bonds or the housing credit agency that the building is eligible to receive an allocation of housing credit dollar amount under the rules of paragraphs (1) and (2) of subsection (m)."

(b) ~~RULES RELATING TO EXISTING PROJECTS.~~— Subparagraph (F) of section 42(h)(7), as redesignated by section 135503, is amended by striking "the nonlow-income portion" and all that follows and inserting "the nonlow-income portion and the low-income portion of the building for fair market value (determined by the housing credit agency by taking into account the rent restrictions required for the low-income portion of the building to continue to meet the standards of paragraphs (1) and (2) of subsection (g)). The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out this paragraph."

(c) ~~CONFORMING AMENDMENTS.~~—

(1) Paragraph (7) of section 42(h), as redesignated by section 135503, is amended by striking subparagraph (G) and by redesignating subparagraphs (H), (I), (J), and (K) as subparagraphs (G), (H), (I), and (J), respectively.

(2) Subclause (II) of section 42(h)(7)(E)(i), as so redesignated and as amended by subsection (a), is further amended by striking "subparagraph (I)" and inserting "subparagraph (H)".

(d) ~~EFFECTIVE DATE.~~—

(1) ~~IN GENERAL.~~— Except as provided in paragraph (2), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) ~~SUBSECTION (B).~~— The amendments made by subsection (b) shall apply to buildings with respect to which a written request described in section 42(h)(7)(H) of the Internal Revenue Code of 1986, as redesignated by section 135503 and subsection (c), is submitted after the date of the enactment of this Act.

**\* Sec. 135505. Modification and clarification of rights relating to building purchase<sup>(1)</sup>**

(a) ~~MODIFICATION OF RIGHT OF FIRST REFUSAL.~~—

~~(1) IN GENERAL.— Subparagraph (A) of section 42(i)(7) is amended by striking "a right of 1st refusal" and inserting "an option".~~

~~(2) CONFORMING AMENDMENT.— The heading of paragraph (7) of section 42(i) is amended by striking "right of 1st refusal" and inserting "option".~~

~~(b) CLARIFICATION WITH RESPECT TO RIGHT OF FIRST REFUSAL AND PURCHASE OPTIONS.—~~

~~(1) PURCHASE OF PARTNERSHIP INTEREST.— Subparagraph (A) of section 42(i)(7), as amended by subsection (a), is amended by striking "the property" and inserting "the property or all of the partnership interests (other than interests of the person exercising such option or a related party thereto (within the meaning of section 267(b) or 707(b)(1))) relating to the property".~~

~~(2) PROPERTY INCLUDES ASSETS RELATING TO THE BUILDING.— Paragraph (7) of section 42(i) is amended by adding at the end the following new subparagraph:~~

~~"(C) PROPERTY.— For purposes of subparagraph (A), the term 'property' may include all or any of the assets held for the development, operation, or maintenance of a building."~~

~~(3) EXERCISE OF RIGHT OF FIRST REFUSAL AND PURCHASE OPTIONS.— Subparagraph (A) of section 42(i)(7), as amended by subsection (a) and paragraph (1)(A), is amended by adding at the end the following: "For purposes of determining whether an option, including a right of first refusal, to purchase property or partnership interests holding (directly or indirectly) such property is described in the preceding sentence—~~

~~"(i) such option or right of first refusal shall be exercisable with or without the approval of any owner of the project (including any partner, member, or affiliated organization of such an owner); and~~

~~"(ii) a right of first refusal shall be exercisable in response to any offer to purchase the property or partnership interests, including an offer by a related party."~~

~~(c) CONFORMING AMENDMENTS.— Subparagraph (B) of section 42(i)(7) is amended by striking "the sum of" and all that follows and inserting "the principal amount of outstanding indebtedness secured by the building (other than indebtedness incurred within the 5-year period ending on the date of the sale to the tenants). In the case of a purchase of a partnership interest, the minimum purchase price is an amount not less than such interest's ratable share of the amount determined under the first sentence of this subparagraph."~~

~~(d) EFFECTIVE DATES.—~~

~~(1) MODIFICATION OF RIGHT OF FIRST REFUSAL.— The amendments made by subsections (a) and (c) shall apply to agreements entered into or amended after the date of the enactment of this Act.~~

~~(2) CLARIFICATION.— The amendments made by subsection (b) shall apply to agreements among the owners of the project (including partners, members, and their affiliated organizations) and persons described in section 42(i)(7)(A) of the Internal Revenue Code of 1986 entered into before, on, or after the date of the enactment of this Act.~~

~~(l)~~

~~(3) NO EFFECT ON AGREEMENTS.—None of the amendments made by this section is intended to supersede express language in any agreement with respect to the terms of a right of first refusal or option permitted by section 42(i)(7) of the Internal Revenue Code of 1986 in effect on the date of the enactment of this Act.~~

**\* ~~Sec. 135507. Increase in credit for bond-financed projects designated by housing credit agency~~**

~~(a) IN GENERAL.—Section 42(d)(5)(B)(v) is amended by striking "The preceding sentence" and inserting "In the case of determinations of housing credit dollar amount after December 31, 2028, the preceding sentence".~~

~~(b) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings which receive a determination of housing credit dollar amount pursuant to section 42(m)(2)(D) of the Internal Revenue Code of 1986 after the date of the enactment of this Act.~~

**\* ~~Sec. 137504. Temporary expansion of health insurance premium tax credits for certain low-income populations~~**

~~(a) IN GENERAL.—~~

~~Section 36B is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:~~

~~"(h) CERTAIN TEMPORARY RULES BEGINNING IN 2022.—~~

~~"(1) IN GENERAL.—With respect to any taxable year beginning after December 31, 2021, and before the termination date—~~

~~"(A) ELIGIBILITY FOR CREDIT NOT LIMITED BASED ON INCOME.—Section 36B(c)(1)(A) shall be disregarded in determining whether a taxpayer is an applicable taxpayer.~~

~~"(B) CREDIT ALLOWED TO CERTAIN LOW-INCOME EMPLOYEES OFFERED EMPLOYER-PROVIDED COVERAGE.—Subclause (II) of subsection (c)(2)(C)(i) shall not apply if the taxpayer's household income does not exceed 138 percent of the poverty line for a family of the size involved. Subclause (II) of subsection (c)(2)(C)(i) shall also not apply to an individual described in the last sentence of such subsection if the taxpayer's household income does not exceed 138 percent of the poverty line for a family of the size involved.~~

~~"(C) CREDIT ALLOWED TO CERTAIN LOW-INCOME EMPLOYEES OFFERED QUALIFIED SMALL EMPLOYER HEALTH REIMBURSEMENT ARRANGEMENTS.—A qualified small employer health reimbursement arrangement shall not be treated as constituting affordable coverage for an employee (or any spouse or dependent of such employee) for any months of a taxable year if the employee's household income for such taxable year does not exceed 138 percent of the poverty line for a family of the size involved.~~

~~"(D) LIMITATIONS ON RECAPTURE.—~~

~~"(i) IN GENERAL.—In the case of a taxpayer whose household income is less than 200 percent of the poverty line for the size of the family involved for the taxable year, the amount of the increase under subsection (f)(2)(A) shall in no~~

event exceed \$300 (one-half of such amount in the case of a taxpayer whose tax is determined under section 1(c) for the taxable year).

~~"(ii) LIMITATION ON INCREASE FOR CERTAIN NON-FILERS.— In the case of any taxpayer who would not be required to file a return of tax for the taxable year but for any requirement to reconcile advance credit payments under subsection (f), if an Exchange established under title I of the Patient Protection and Affordable Care Act has determined that—~~

~~"(I) such taxpayer is eligible for advance payments under section 1412 of such Act for any portion of such taxable year, and~~

~~"(II) such taxpayer's household income for such taxable year is projected to not exceed 138 percent of the poverty line for a family of the size involved;~~

~~subsection (f)(2)(A) shall not apply to such taxpayer for such taxable year and such taxpayer shall not be required to file such return of tax.~~

~~"(iii) INFORMATION PROVIDED BY EXCHANGE.— The information required to be provided by an Exchange to the Secretary and to the taxpayer under subsection (f)(3) shall include such information as is necessary to determine whether such Exchange has made the determinations described in subclauses (I) and (II) of clause (ii) with respect to such taxpayer.~~

~~"(2) TERMINATION DATE.— For purposes of this subsection, the term 'termination date' means the later of—~~

~~"(A) January 1, 2025, or~~

~~"(B) the date on which the Secretary of Health and Human Services makes a written certification to the Secretary that the Secretary of Health and Human Services has fully implemented the program described in section 1948 of the Social Security Act (relating to Federal Medicaid program to close coverage gap in nonexpansion States)."~~

~~(b) EMPLOYER SHARED RESPONSIBILITY PROVISION NOT APPLICABLE WITH RESPECT TO CERTAIN LOW-INCOME TAXPAYERS RECEIVING PREMIUM ASSISTANCE.—~~

~~Section 4980H(e)(3) is amended to read as follows:~~

~~"(3) APPLICABLE PREMIUM TAX CREDIT AND COST-SHARING REDUCTION.—~~

~~"(A) IN GENERAL.— The term 'applicable premium tax credit and cost-sharing reduction' means—~~

~~"(i) any premium tax credit allowed under section 36B,~~

~~"(ii) any cost-sharing reduction under section 1402 of the Patient Protection and Affordable Care Act, and~~

~~"(iii) any advance payment of such credit or reduction under section 1412 of such Act.~~

~~"(B) EXCEPTION WITH RESPECT TO CERTAIN LOW-INCOME TAXPAYERS.— Such term shall not include any premium tax credit, cost-sharing reduction, or advance~~

~~payment otherwise described in subparagraph (A) if such credit, reduction, or payment is allowed or paid for a taxable year of an employee (beginning after December 31, 2021, and before the termination date, as defined in section 36B(h)(2)) with respect to which—~~

~~"(i) an Exchange established under title I of the Patient Protection and Affordable Care Act has determined that such employee's household income for such taxable year is projected to not exceed 138 percent of the poverty line for a family of the size involved, or~~

~~"(ii) such employee's household income for such taxable year does not exceed 138 percent of the poverty line for a family of the size involved."~~

~~(e) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* Sec. 135702. Additional new markets tax credit allocations for the territories**

~~(a) IN GENERAL.—~~

~~Section 45D(f), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:~~

~~"(6) ADDITIONAL ALLOCATIONS FOR POSSESSIONS OF THE UNITED STATES.—~~

~~"(A) IN GENERAL.— In the case of each calendar year after 2021, there is (in addition to the limitation under paragraph (1)—~~

~~"(i) a new markets tax credit limitation of \$80,000,000 which shall be allocated by the Secretary as provided in paragraph (2) except that such limitation may only be allocated with respect to low-income communities located in Puerto Rico, and~~

~~"(ii) a new markets tax credit limitation of \$20,000,000 which shall be allocated by the Secretary as provided in paragraph (2) except that such limitation may only be allocated with respect to low-income communities located in possessions of the United States other than Puerto Rico.~~

~~"(B) CARRYOVER OF UNUSED LIMITATION.—~~

~~"(i) IN GENERAL.— If the credit limitation under clause (i) or clause (ii) of subparagraph (A) for any calendar year exceeds the amount of such limitation allocated by the Secretary for such calendar year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.~~

~~"(ii) LIMITATION ON CARRYOVER.— No amount of credit limitation may be carried under clause (i) past the 5th calendar year following the calendar year in which such amount of credit limitation arose.~~

~~"(iii) TRANSFER OF EXPIRED POSSESSION LIMITATION TO GENERAL LIMITATION.— In the case of any amount of credit limitation which would (but for clause (ii)) be carried under clause (i) to the 6th calendar year following the calendar year in which such amount of credit limitation arose, the new market tax credit limitation~~

under paragraph (1) for such 6th calendar year shall be increased by the amount of such credit limitation."

(b) APPLICATION OF INFLATION ADJUSTMENT.—Section 45D(f)(4), as added and amended by the preceding provisions of this Act, is amended by striking "paragraphs (1)(H) and (5)(A)" and inserting "paragraphs (1)(H), (5)(A), (6)(A)(i), and (6)(A)(ii)".

(c) EFFECTIVE DATES.—The amendments made by this section shall apply to new markets tax credit limitation determined for calendar years after December 31, 2021.

\* **Sec. 130001. Paid Family and Medical Leave**

The Social Security Act (42 U.S.C. 301 et seq.) is amended by adding at the end the following:

## **~~"Title XXII—Paid Family and Medical Leave Benefits~~**

**~~"Sec. 2201. Table of contents~~**

The table of contents for this title is as follows:

~~"Sec. 2201. Table of contents:~~

~~Sec. 2202. Paid family and medical leave benefit eligibility:~~

~~Sec. 2203. Benefit amount:~~

~~Sec. 2204. Benefit determination and payment:~~

~~Sec. 2205. Appeals:~~

~~Sec. 2206. Stewardship:~~

~~Sec. 2207. Funding for benefit payments, grants, and program administration:~~

~~Sec. 2208. Funding for outreach, public education, and research:~~

~~Sec. 2209. Funding for State administration option for legacy States:~~

~~Sec. 2210. Reimbursement option for employer-sponsored paid leave benefits:~~

~~Sec. 2211. Funding for small business assistance:~~

~~Sec. 2212. Definitions:~~

**~~"Sec. 2202. Paid family and medical leave benefit eligibility~~**

~~"(a) ENTITLEMENT.—Every individual who—~~

~~"(1) has filed an application for a paid family and medical leave benefit in accordance with section 2204(a);~~

~~"(2) has, or anticipates having, at least 4 caregiving hours in a week ending at any time during the period that begins 90 days before the date on which such application is filed or not later than 180 days after such date; and~~

~~"(3) has wages or self-employment income at any time during the period—~~

~~"(A) beginning with the <sup>(1)</sup>most recent calendar quarter that ends at least 4 months prior to the beginning of the individual's benefit period specified in subsection (b);~~

and

~~"(B) ending with the month before the month in which such benefit period begins;~~

~~shall be entitled to such a benefit for each month during such benefit period, except as otherwise provided in this section.~~

~~"(b) BENEFIT PERIOD.—~~

~~"(1) IN GENERAL.— Except as provided in paragraph (2), the benefit period specified in this subsection is the period beginning with the month in which ends the 1st week in which the individual has at least 4 caregiving hours and otherwise meets the criteria specified in paragraphs (1), (2), and (3) of subsection (a) and ending with the month in which ends the 52nd week ending during such period.~~

~~"(2) RETROACTIVE BENEFITS.— In the case of an application for benefits under this section with respect to an individual who has at least 4 caregiving hours in a week at any time during the period that begins 90 days before the date on which such application is filed, the benefit period specified in this subsection is the period beginning with the later of~~

~~"(A) the month in which ends the 1st week in which the individual has at least 4 caregiving hours; or~~

~~"(B) the 1st month that begins during such 90-day period;~~

~~and ending with the month in which ends the 52nd week ending during such period.~~

~~"(3) LIMITATION.— Notwithstanding paragraphs (1) and (2), no benefit period under this title may begin with any month beginning prior to July 2023.~~

~~"(c) CAREGIVING HOURS.—~~

~~"(1) CAREGIVING HOUR DEFINED.— For purposes of this title, the term 'caregiving hour' means a 1-hour period during which the individual engaged in qualified caregiving (determined on the basis of information filed with the Secretary pursuant to subsection (e) of section 2204).~~

~~"(2) QUALIFIED CAREGIVING.—~~

~~"(A) IN GENERAL.— For purposes of this subsection, the term 'qualified caregiving' means any activity engaged in by an individual in lieu of work, other than for monetary compensation, for any reason described in paragraph (1) or (3) of section 102(a) of the Family and Medical Leave Act of 1993 (29 U.S.C. 2612(a)), except that for purposes of this paragraph such section shall be applied—~~

~~"(i) by treating such individual as the employee referred to in such paragraph;~~

~~"(ii) as if paragraph (1)(C) were amended to read as follows:~~

~~'(C)~~

~~'(i) In order to care for a qualified family member of the employee, if such qualified family member has a serious health condition.~~

~~'(ii) For purposes of clause (i), the term "qualified family member" means, with respect to an employee—~~

~~'(I) a spouse (including a domestic partner in a civil union or other registered domestic partnership recognized by a State) and a spouse's parent;~~

~~'(II) a child and a child's spouse;~~

~~'(III) a parent and a parent's spouse;~~

~~'(IV) a sibling and a sibling's spouse;~~

~~'(V) a grandparent, a grandchild, or a spouse of a grandparent or grandchild; and~~

~~'(VI) any other individual who is related by blood or affinity and whose association with the employee is equivalent of a family relationship (as determined under regulations issued by the Secretary of the Treasury).'; and~~

~~"(iii) by treating the criterion in paragraph (1)(D) that an individual is 'unable to perform the functions of the position of such employee' because of a serious health condition as a criterion that the individual is unable to satisfy the requirements needed to continue receiving the wages or self-employment income described in subsection (a)(3) with respect to the individual because of such serious health condition;~~

~~"(iv) as if paragraph (1)(E) were amended to read as follows:~~

~~'(E) Because of any qualifying exigency (as the Secretary shall, by regulation, determine) arising out of the fact that a qualified family member of the employee (as defined in subparagraph (C)(ii)) is on covered active duty (or has been notified of an impending call or order to covered active duty) in the Armed Forces.'; and~~

~~"(v) as if paragraph (1) were amended by adding at the end the following:~~

~~'(G) Because of the death of a spouse, parent, or child of the employee.';~~

~~"(vi) as if paragraph (3) were amended by striking 'the spouse, son, daughter, parent, or next of kin' and inserting 'a qualified family member of the employee (as defined in subparagraph (C)(ii))'.~~

~~"(B) NO MONETARY COMPENSATION PERMITTED.— For purposes of subparagraph (A), an activity shall be considered to be engaged in by an individual for monetary compensation if the individual received any form of wage compensation from an employer, including paid vacation, paid sick leave, and any other form of accrued paid time off (but not including any such form of accrued paid time off or any non-accrued paid family and medical leave benefits sponsored by an employer to the extent that the sum of such accrued or non-accrued paid leave and any paid family and medical leave benefits under section 2202 does not exceed 100 percent of the~~



individual's regular rate of pay (as determined under section 7(e) of the Fair Labor Standards Act of 1938)), for the time during which the individual was so engaged.

~~"(C) TREATMENT OF INDIVIDUALS ELIGIBLE FOR EMPLOYER SPONSORED PAID FAMILY AND MEDICAL LEAVE BENEFITS.—~~ For purposes of subparagraph (A), an activity engaged in by an individual shall not be considered to be engaged in in lieu of work if, for the time during which the individual was so engaged, the individual would be eligible for paid family and medical leave benefits under a program sponsored by an employer who receives a grant with respect to such program under section 2210.

~~"(D) TREATMENT OF INDIVIDUALS EMPLOYED IN LEGACY STATES.—~~ For purposes of subparagraph (A), an activity engaged in by an individual shall not be considered to be engaged in in lieu of work if the time during which the individual was so engaged constitutes leave from employment for which the individual would be eligible to receive paid family or medical leave benefits under the law of a legacy State (as defined in section 2209(b)).

~~"(d) TREATMENT OF BEREAVEMENT LEAVE.—~~ In the case of an activity engaged in by an individual in lieu of work for a reason described in paragraph (1)(G) of section 102(a) of the Family and Medical Leave Act of 1993 (as such section is applied for purposes of paragraph (2) of subsection (c)), the total number of caregiving hours attributable to such activity, for each death described in such paragraph (1)(G), that may be credited under section 2203(e) to weeks during the individual's benefit period may not exceed  $\frac{3}{5}$  of the number of hours in the individual's regular workweek (within the meaning of section 2203(d)).

~~"(e) NO CAREGIVING HOURS IN INDIVIDUAL'S WEEK OF DEATH.—~~ No caregiving hours of an individual may be credited under section 2203(e) to the week during which the individual dies.

~~"(f) DISQUALIFICATION FOLLOWING CERTAIN CONVICTIONS.—~~ An individual who has been found to have used false statements or representation to secure benefits under this title shall be ineligible for benefits under this title for a 5-year period following the date of such finding.

### **~~"Sec. 2203. Benefit amount~~**

~~"(a) IN GENERAL.—~~ The amount of the benefit to which an individual is entitled under section 2202 for a month shall be an amount equal to the sum of the weekly benefit amounts for each week ending during such month. The weekly benefit amount of an individual for a week shall be equal to the product of the individual's weekly benefit rate (as determined under subsection (b)) multiplied by a fraction—

~~"(1) the numerator of which is the number of caregiving hours of the individual credited to such week (as determined in subsection (c)); and~~

~~"(2) the denominator of which is the number of hours in a regular workweek of the individual (as determined in subsection (d)).~~

~~"(b) WEEKLY BENEFIT RATE.—~~

~~"(1) IN GENERAL.—~~ For purposes of this section, an individual's weekly benefit rate shall be an amount equal to the sum of —

~~"(A) 85 percent of the individual's average weekly earnings to the extent that such earnings do not exceed the amount established for purposes of this subparagraph by paragraph (2);~~

~~"(B) 75 percent of the individual's average weekly earnings to the extent that such earnings exceed the amount established for purposes of subparagraph (A) but do not exceed the amount established for purposes of this subparagraph by paragraph (2);~~

~~"(C) 55 percent of the individual's average weekly earnings to the extent that such earnings exceed the amount established for purposes of subparagraph (B) but do not exceed the amount established for purposes of this subparagraph by paragraph (2);~~

~~"(D) 25 percent of the individual's average weekly earnings to the extent that such earnings exceed the amount established for purposes of subparagraph (C) but do not exceed the amount established for purposes of this subparagraph by paragraph (2); and~~

~~"(E) 5 percent of the individual's average weekly earnings to the extent that such earnings exceed the amount established for purposes of subparagraph (D) but do not exceed the amount established for purposes of this subparagraph by paragraph (2).~~

~~"(2) AMOUNTS ESTABLISHED.—~~

~~"(A) INITIAL AMOUNTS.— For individuals whose benefit period under this title begins in or before calendar year 2024, the amount established for purposes of subparagraphs (A), (B), (C), (D), and (E) of paragraph (1) shall be 1/52 of \$15,000, \$34,248, \$72,000, \$100,000, and \$250,000, respectively.~~

~~"(B) WAGE INDEXING.— For individuals whose benefit period under this title begins in any calendar year after 2024, each of the amounts so established shall equal the corresponding amount established for the calendar year preceding such calendar year, or, if larger, the product of the corresponding amount established with respect to the calendar year 2024 and the quotient obtained by dividing—~~

~~"(i) the national average wage index (as defined in section 2212) for the second calendar year preceding such calendar year, by~~

~~"(ii) the national average wage index (as so defined) for 2022.~~

~~"(C) ROUNDING.— Each amount established under subparagraph (B) for any calendar year shall be rounded to the nearest \$1, except that any amount so established which is a multiple of \$0.50 but not of \$1 shall be rounded to the next higher \$1.~~

~~"(3) AVERAGE WEEKLY EARNINGS.— For purposes of this subsection, an individual's average weekly earnings, as calculated by the Secretary, shall be equal to the quotient obtained by dividing—~~

~~(A) the total of the wages and self-employment income received by the individual during the most recent 8-calendar quarter period that ends at least 4~~

months prior to the beginning of the individual's benefit period; by

~~"(B) 104.~~

~~"(4) EVIDENCE OF EARNINGS.— For purposes of determining the wages and self-employment income of an individual with respect to an application for benefits under section 2202, the Secretary shall make such determination on the basis of wage data provided to the Secretary from the National Directory of New Hires pursuant to section 453(j)(5) and self-employment income data provided by the Secretary, except that the Secretary shall also consider any more recent or additional evidence of wages or self-employment income the individual chooses to additionally submit.~~

~~"(c) CREDITING OF CAREGIVING HOURS TO A WEEK.— The number of caregiving hours of an individual credited to a week as determined under this subsection shall equal the number of caregiving hours of the individual occurring during such week, except that—~~

~~"(1) such number may not exceed the number of hours in a regular workweek of the individual (as determined in subsection (d));~~

~~"(2) no caregiving hours may be credited to a week in which fewer than 4 caregiving hours of the individual occur;~~

~~"(3) no caregiving hours of the individual may be credited to the individual's waiting period, consisting of the first week during an individual's benefit period in which at least 4 caregiving hours occur (regardless of whether the individual received paid vacation, paid sick leave, or any other form of accrued paid time off from the individual's employer during such week in accordance with section 2202(c)(2)(B)); and~~

~~"(4) the total number of caregiving hours credited to weeks during the individual's benefit period may not exceed the product of 12 multiplied by the number of hours in a regular workweek of the individual (as so determined).~~

~~"(d) NUMBER OF HOURS IN A REGULAR WORKWEEK.— For purposes of this section, the number of hours in a regular workweek of an individual shall be the number of hours that the individual regularly works in a week for all employers (or regularly worked in the case of an individual no longer employed), as determined under guidance to be issued by the Secretary.~~

#### **~~"Sec. 2204. Benefit determination and payment~~**

~~"(a) IN GENERAL.— An individual seeking benefits under section 2202 shall file an application with the Secretary containing the information described in subsection (b) and such other information as the Secretary may require. Any information contained in an application for benefits under section 2202, or in a periodic benefit claim report filed with respect to such benefits, shall be presumed to be true and accurate, unless the Secretary demonstrates by a preponderance of the evidence that information contained in the application or periodic benefit claim report is false, except that the Secretary shall establish procedures to validate the identity of the individual filing the application.~~

~~"(b) REQUIRED CONTENTS OF INITIAL APPLICATION.— An application for a paid family and medical leave benefit filed by an individual shall include—~~

~~"(1) an attestation that the individual has, or anticipates having, at least 4 caregiving hours in a week ending at any time during the period that begins 90 days before the date~~

on which such application is filed or not later than 180 days after such date;

~~"(2) except as otherwise provided in this subsection, a certification, issued by a relevant authority determined under regulations issued by the Secretary, that contains such information as the Secretary shall specify in such regulations as necessary to affirm the circumstances giving rise to the need for such caregiving hours, which shall be no more than the information that is required to be stated under section 103(b) of the Family and Medical Leave Act of 1993 (29 U.S.C. 2613(b));~~

~~"(3) an attestation from the individual that notice of the individual's need to be absent from work during such caregiving hours has been provided, not later than 7 days after such need arises, to the individual's employer (except in cases of hardship or other extenuating circumstances or if the individual does not have (or no longer has) an employer);~~

~~"(4) pay stubs or such other evidence as the individual may provide demonstrating the individual's wages or self-employment income during the period described in section 2202(a)(3), except that the Secretary may waive this requirement in any case in which such evidence is otherwise available to the Secretary;~~

~~"(5) an attestation from the individual stating the number of hours in a regular workweek of the individual (within the meaning of section 2203(d)); and~~

~~"(6) an attestation from the individual stating that the leave from employment with respect to which the individual is filing such application is not employment for which the individual has received—~~

~~"(A) a notice from a State pursuant to subsection (b)(2)(B) of section 2209 stating that such employment would be eligible for paid family and medical leave benefits under a State legacy program described in such section; or~~

~~"(B) a notice from the individual's employer pursuant to subsection (b)(1)(F)(iv) of section 2210 stating that such employment would be eligible for paid family and medical leave benefits under an employer-sponsored program described in such section.~~

~~In the case of an individual who applies for a paid family and medical leave benefit in the anticipation of caregiving hours occurring after the date of application, the certification described in paragraph (2), the attestation described in paragraph (3), and the evidence described in paragraph (4) may be provided after the 1st week in which at least 4 such caregiving hours occur.~~

~~"(c) PERIODIC BENEFIT CLAIM REPORT.—~~

~~"(1) IN GENERAL.— Except as provided in paragraph (2), not later than 60 days (or such longer period as may be provided in any case in which the Secretary determines that good cause exists for an extension) after the end of each month during the benefit period of an individual entitled to benefits under section 2202, the individual shall file a periodic benefit claim report with the Secretary. Such periodic benefit claim report shall specify the caregiving hours of the individual that occurred during each week that ended in such month and shall include such other information as the Secretary may require. No~~

~~periodic benefit claim report shall be required with respect to any week in which fewer than 4 caregiving hours occurred.~~

~~"(2) RETROACTIVE APPLICATIONS.— In the case of an application filed by an individual for a paid family and medical leave benefit with a benefit period that begins, in accordance with section 2202(b)(2), with a month that ends before the date on which such application is filed, the individual may include with such application the information described in the second sentence of paragraph (1) with respect to each week in the benefit period that ends before such date.~~

~~"(d) DETERMINATIONS AND NOTICE REQUIREMENTS.—~~

~~"(1) INITIAL APPLICATION.—~~

~~"(A) IN GENERAL.— The Secretary shall determine the initial eligibility of an individual applying for benefits under this title in accordance with section 2202.~~

~~"(B) NOTICES.— To ensure payment of benefits in the correct amount and that beneficiaries are aware of the right to appeal a benefit determination of the Secretary~~

~~"(i) not later than 15 days after each application for benefits from an individual under this title is filed, the Secretary shall provide notice to the individual of—~~

~~"(I) the initial determination of eligibility for such benefits;~~

~~"(II)~~

~~"(aa) the calendar quarter that begins the period described in section 2202(a)(3) with respect to the individual, the 8 calendar quarters used to compute the individual's average weekly earnings under section 2203(b)(3), and the wages and self-employment income received by the individual during each of those 8 quarters as recorded by the Secretary; and~~

~~"(bb) the individual's right under section 2203(b)(4) to submit more recent or additional evidence of such wages or self-employment income, including a statement that eligibility could change or benefits could increase if such additional evidence results in more recent or higher average weekly earnings;~~

~~"(III) the estimated weekly benefit amount for a week to which 4 caregiving hours of the individual are credited;~~

~~"(IV) the estimated weekly benefit amount for a week to which a number of caregiving hours are credited equal to the number of hours in a regular workweek of the individual (as determined in subsection 2203(d));~~

~~"(V) the number of caregiving hours credited to weeks ending prior to the date of such application;~~

~~"(VI) the beginning and ending dates of the individual's benefit period;~~  
and

~~"(VII) the individual's right to appeal such initial determination in accordance with the provisions of section 2205; and~~

~~"(ii) in any case in which an individual submits additional information with respect to such an application, the Secretary shall provide an updated notice to the individual containing the same information provided in the notice described in clause (i), including a specific indication of any such information that has been updated as a result of the additional information submitted by the individual.~~

~~"(2) MONTHLY BENEFIT DETERMINATIONS.—~~

~~"(A) IN GENERAL.— On the basis of the information filed with the Secretary pursuant to subsection (c), the Secretary shall determine, with respect to an individual for each week ending in a month, the number of caregiving hours to be credited to such week in accordance with section 2203(e).~~

~~"(B) NOTICES.— To ensure payment of benefits in the correct amount and that beneficiaries are aware of the right to appeal a benefit determination of the Secretary, not later than 15 days after each periodic benefit claim report from an individual is filed (or after filing of initial application for retroactive benefits), the Secretary shall provide notice to the individual specifying—~~

~~"(i) whether payment will be made to the individual for each week to which such periodic benefit claim report pertains and the amount of such payment;~~

~~"(ii) if the Secretary determines that payment will not be made for a week or that payment will be made based on a number of caregiving hours credited to the week inconsistent with the number of caregiving hours specified for such week in such periodic benefit claim report (or initial application), the reasons for such determination; and~~

~~"(iii) the individual's right to appeal such determination in accordance with the provisions of section 2205.~~

~~"(3) CHANGING CIRCUMSTANCES.— The Secretary shall issue regulations to establish a process under which an individual may notify the Secretary if more than one type of circumstance gives rise to the need for caregiving hours during the individual's benefit period. Such caregiving hours shall be credited to weeks within the benefit period in accordance with section 2203(c) regardless of circumstance.~~

~~"(4) ACCESSIBILITY OF NOTICES.— The Secretary shall take such actions as are necessary to ensure that any notice to one or more individuals issued pursuant to this title by the Secretary is written in simple and clear language.~~

~~"(e) CERTIFICATION OF PAYMENT.— Not later than 15 days after the making of a determination under subsection (d)(2)(A) with respect to the number of caregiving hours of an individual to be credited to weeks ending in a month, the Secretary shall certify payment to such individual of the amount of the paid family and medical leave benefit for such month.~~

~~"(f) EXPEDITED BENEFIT PAYMENT IN CASES OF MISSING PAYMENT.— The Secretary shall establish and put into effect procedures under which expedited payment of benefits under this title will be made to an individual to whom a benefit payment was due for a month but was not received by the individual.~~

~~"(g) SUBMISSION OF REQUIRED INFORMATION.—~~

~~"(1) BY PHONE, MAIL, OR ELECTRONIC MEANS.— To ensure full access to benefits by all eligible individuals, applicable paid leave information with respect to an individual may be submitted to the Secretary by phone, mail, or electronic means.~~

~~"(2) BY ANY PERSON.— Any person may submit applicable paid leave information with respect to an individual, including, as applicable, the individual's representative, the individual's employer, or any relevant authority identified under subsection (b)(2). The Secretary shall promptly notify an individual whenever any other person submits such information on the individual's behalf.~~

~~"(3) NOTICE OF RECEIPT.— The Secretary shall provide prompt notice of receipt of all applicable paid leave information submitted with respect to an individual.~~

~~"(4) DEFINITION OF APPLICABLE PAID LEAVE INFORMATION.— For purposes of this subsection, the term 'applicable paid leave information' means, with respect to an individual, any information submitted to the Secretary with respect to the paid family and medical leave benefits of the individual, including any initial application, periodic benefit claim report, appeal, and any other information submitted in support of such application, report, or appeal.~~

~~"Sec. 2205. Appeals~~

~~"(a) IN GENERAL.— An individual shall have the right—~~

~~"(1) to appeal to the Secretary any determination made with respect to—~~

~~"(A) paid family and medical leave benefits under section 2202; and~~

~~"(B) paid family and medical leave benefits under an employer-sponsored program described in section 2210 whose initial appeal pursuant to subsection (b)(4)(F)(iii)(I) of such section results in a determination unfavorable to the individual; and~~

~~"(2) to appeal any final decision of the Secretary by a civil action brought in the district court of the United States for the judicial district in which the plaintiff resides, or in which the principal place of business of the plaintiff sits, or, if the plaintiff does not reside or such principal place of business does not sit within any such judicial district, in the United States District Court for the District of Columbia.~~

~~"(b) PROCEDURES.— The Secretary shall establish procedures for appeals of such determinations that ensure that appeals will be heard in a timely manner by a decisionmaker who is different from the initial decisionmaker using procedures that are similar to the procedures used for appeals of determinations under the Medicare Low-Income Subsidy program described under section 1860D-14(a)(3)(B)(iv)(II).~~

~~"(c) AUTHORITY TO ISSUE AND ENFORCE SUBPOENAS.—~~

~~"(1) IN GENERAL.— For the purpose of any hearing, investigation, or other proceeding authorized or directed under this title, the Secretary shall have power to issue subpoenas requiring the attendance and testimony of witnesses and the production of any evidence that relates to any matter under investigation or in question before the Secretary. Such attendance of witnesses and production of evidence at the designated place of such~~

hearing, investigation, or other proceeding may be required from any place in the United States or in any Territory or possession thereof:

~~"(2) SERVICE; WITNESSES.— Subpoenas of the Secretary shall be served by anyone authorized by the Secretary—~~

~~"(A) by delivering a copy thereof to the individual named therein; or~~

~~"(B) by registered mail or by certified mail addressed to such individual at his last dwelling place or principal place of business.~~

~~A verified return by the individual serving the subpoena setting forth the manner of service, or, in the case of service by registered mail or by certified mail, the return post-office receipt therefor signed by the individual so served, shall be proof of service. Witnesses so subpoenaed shall be paid the same fees and mileage as are paid witnesses in the district courts of the United States.~~

~~"(3) CONTUMACY OR REFUSAL TO OBEY A SUBPOENA.—~~

~~"(A) IN GENERAL.— In case of contumacy by, or refusal to obey a subpoena duly served upon, any person, any district court of the United States for the judicial district in which the person charged with contumacy or refusal to obey is found or resides or transacts business, upon application by the Secretary, shall have jurisdiction to issue an order requiring such person to appear and give testimony, or to appear and produce evidence, or both. Any failure to obey such order of the court may be punished by the court as contempt thereof.~~

~~"(B) TREATMENT OF EMPLOYERS.— In the case of contumacy by, or refusal to obey a subpoena duly served upon, any employer, the Secretary shall impose such penalties against the employer as the Secretary determines may apply pursuant to section 2210(f).~~

### **~~"Sec. 2206. Stewardship~~**

~~"(a) PROMOTING EQUITY.— The Secretary shall conduct a robust program to analyze and prevent disparities on the basis of race, color, ethnicity, religion, sex, sexual orientation, gender identity, disability, age, national origin, family composition, or living arrangements with respect to the benefits provided under this title and individuals' access to such benefits.~~

~~"(b) UNDERPAYMENTS AND OVERPAYMENTS.—~~

~~"(1) IN GENERAL.— Whenever the Secretary determines that more or less than the correct amount of payment has been made to any individual under this title, the Secretary shall promptly notify the individual of such determination and inform the individual of the right to appeal such determination in accordance with the provisions of section 2205. Proper adjustment or recovery shall be made, under regulations prescribed by the Secretary, as follows:~~

~~"(A) UNDERPAYMENTS.— With respect to payment to an individual of less than the correct amount, the Secretary shall promptly pay the balance of the amount due to such underpaid individual. (1)~~

~~"(B) OVERPAYMENTS.—~~



~~"(i) IN GENERAL.— With respect to payment to an individual of more than the correct amount, the Secretary shall decrease any payment for a month under this title to which such overpaid individual is entitled (except that the weekly benefit amounts for each week ending during such month as determined under section 2203(a) may not be decreased below the amount specified in clause (ii) with respect to such weekly benefit amounts of the individual), or shall require such overpaid individual to refund the amount in excess of the correct amount, or shall apply any combination of the foregoing.~~

~~"(ii) LIMITATION ON RECOVERY.—~~

~~"(I) AMOUNT SPECIFIED.— The amount specified in this clause with respect to a weekly benefit amount of an individual for a week is an amount equal to the weekly benefit amount that would be determined for the individual for such week under section 2203(a) if the individual's weekly benefit rate (as determined under section 2203(b)) were equal to the applicable dollar amount as determined under subclause (II).~~

~~"(II) APPLICABLE DOLLAR AMOUNT.— For purposes of subclause (I), the applicable dollar amount is—~~

~~"(aa) with respect to a weekly benefit amount determined for a week ending in a month in or before calendar year 2024, \$315; and~~

~~"(bb) with respect to a weekly benefit amount determined for a week ending in a month in any calendar year after 2024, the corresponding amount established with respect to a weekly benefit amount determined for a week ending in a month in the calendar year preceding such calendar year or, if larger, the product of the corresponding amount specified in item (aa) with respect to a weekly benefit amount determined for a week ending in a month in calendar year 2024 multiplied by the quotient obtained by dividing—~~

~~"(AA) the national average wage index (as defined in section 2212) for the second calendar year preceding such calendar year, by~~

~~"(BB) the national average wage index (as so defined) for 2022.~~

~~"(2) WAIVER OF CERTAIN OVERPAYMENTS.— In any case in which more than the correct amount of payment has been made, there shall be no adjustment of payments to, or recovery by the United States from, any individual who was without fault in connection with the overpayment if such adjustment or recovery would defeat the purpose of this title or would be against equity and good conscience, or would impede efficient or effective administration of this title, as determined by the Secretary under procedures to be established by the Secretary.~~

~~"(3) LIABILITY OF CERTIFYING OR DISBURSING OFFICER.— No certifying or disbursing officer shall be held liable for any <sup>(1)</sup> amount certified or paid by him to any individual where the adjustment or recovery of such amount is waived under paragraph (2), or where~~

~~adjustment under paragraph (1) is not completed prior to the death of the individual against whose benefits deductions are authorized.~~

~~"(c) PENALTIES AND OTHER PROCEDURES.—~~

~~"(1) IN GENERAL.—Whoever—~~

~~"(A) knowingly and willfully makes or causes to be made any false statement or representation of a material fact in any application for any benefit under this title;~~

~~"(B) at any time knowingly and willfully makes or causes to be made any false statement or representation of a material fact for use in determining rights to any such benefit;~~

~~"(C) having knowledge of the occurrence of any event affecting (A) his initial or continued right to any such benefit, or (B) the initial or continued right to any such benefit of any other individual in whose behalf he has applied for or is receiving such benefit, conceals or fails to disclose such event with an intent fraudulently to secure such benefit either in a greater amount or quantity than is due or when no such benefit is authorized;~~

~~"(D) having made application to receive any such benefit for the use and benefit of another and having received it, knowingly and willfully converts such benefit or any part thereof to a use other than for the use and benefit of such other person, or~~

~~"(E) conspires to commit any offense described in any of subparagraphs (A) through (C);~~

~~shall be fined under title 18, United States Code, imprisoned not more than 5 years, or both.~~

~~"(2) EXCLUSION FROM PARTICIPATION.—~~

~~"(A) IN GENERAL.—No person or entity who is convicted of a violation of paragraph (1) may represent, or submit evidence on behalf of, an individual applying for, or receiving, benefits under this title.~~

~~"(B) NOTICE, EFFECTIVE DATE, AND PERIOD OF EXCLUSION.—~~

~~"(i) IN GENERAL.—An exclusion under this paragraph shall be effective at such time, for such period, and upon such reasonable notice to the public and to the individual excluded as may be specified in regulations consistent with clause (ii).~~

~~"(ii) EFFECTIVE DATE.—Such an exclusion shall be effective with respect to services furnished to any individual on or after the effective date of the exclusion. Nothing in this paragraph may be construed to preclude consideration of any medical evidence derived from services provided by a health care provider before the effective date of the exclusion of the health care provider under this paragraph.~~

~~"(iii) PERIOD OF EXCLUSION.—~~

~~"(i) IN GENERAL.—The Secretary shall specify, in the notice of exclusion under clause (i), the period of the exclusion.~~

~~"(H) PREVIOUS OFFENSE.—In the case of the exclusion of a person or entity under subparagraph (A) who has previously been subject to an exclusion under such subparagraph—~~

~~"(aa) if the person or entity has previously been subject to such an exclusion only once, the period of exclusion shall be not less than 10 years; and~~

~~"(bb) if the person or entity has previously been subject to such an exclusion more than once, the exclusion shall be permanent.~~

~~"(G) NOTICE TO STATE LICENSING AGENCIES.—The Secretary shall—~~

~~"(i) promptly notify the appropriate State or local agency or authority having responsibility for the licensing or certification of a person or entity excluded from participation under this section of the fact and circumstances of the exclusion;~~

~~"(ii) request that appropriate investigations be made and sanctions invoked in accordance with applicable State law and policy; and~~

~~"(iii) request that the State or local agency or authority keep the Secretary fully and currently informed with respect to any actions taken in response to the request.~~

~~"(D) NOTICE, HEARING, AND JUDICIAL REVIEW.—Any person or entity who is excluded (or directed to be excluded) from participation under this section is entitled to reasonable notice and opportunity for a hearing by the Secretary and to judicial review of such final agency decision to the same extent as is provided in section 2205.~~

~~"(E) APPLICATION FOR TERMINATION OF EXCLUSION.—~~

~~"(i) IN GENERAL.—An individual excluded from participation under this paragraph may apply to the Secretary, in the manner specified by the Secretary in regulations and at the end of the period of exclusion provided under subparagraph (B)(iii) and at such other times as the Secretary may provide, for termination of the exclusion effected under this paragraph.~~

~~"(ii) CRITERIA FOR TERMINATION.—The Secretary may terminate the exclusion if the Secretary determines, on the basis of the conduct of the applicant which occurred after the date of the notice of exclusion or which was unknown to the Secretary at the time of the exclusion, that—~~

~~"(I) there is no basis under subparagraph (A) for a continuation of the exclusion; and~~

~~"(II) there are reasonable assurances that the types of actions which formed the basis for the original exclusion have not recurred and will not recur.~~

~~"(F) AVAILABILITY OF RECORDS OF EXCLUDED PERSONS AND ENTITIES.—Nothing in this section shall be construed to have the effect of limiting access by any applicant or beneficiary under this title or the Secretary to records maintained by any~~

~~person or entity in connection with services provided to the applicant or beneficiary prior to the exclusion of such person or entity under this paragraph:~~

~~"(G) REPORTING REQUIREMENT.— Any person or entity participating in, or seeking to participate in, the program under this title shall inform the Secretary, in such form and manner as the Secretary shall prescribe by regulation, whether such person or entity has been convicted of a violation under paragraph (1):~~

~~"(d) REDETERMINATION OF ENTITLEMENT.—~~

~~"(1) IN GENERAL.—~~

~~"(A) PROCEDURES.— The Secretary shall immediately redetermine the entitlement of individuals to paid family and medical leave benefit benefits under this title if there is reason to believe that fraud or similar fault was involved in the application of the individual for such benefits, unless a United States attorney, or equivalent State prosecutor, with jurisdiction over potential or actual related criminal cases, certifies, in writing, that there is a substantial risk that such action by the Secretary with regard to beneficiaries in a particular investigation would jeopardize the criminal prosecution of a person involved in a suspected fraud:~~

~~"(B) DISREGARD OF CERTAIN EVIDENCE.— When redetermining the entitlement, or making an initial determination of entitlement, of an individual under this title, the Secretary shall disregard any evidence if there is reason to believe that fraud or similar fault was involved in the providing of such evidence:~~

~~"(2) SIMILAR FAULT DESCRIBED.— For purposes of paragraph (1), similar fault is involved with respect to a determination if—~~

~~"(A) an incorrect or incomplete statement that is material to the determination is knowingly made; or~~

~~"(B) information that is material to the determination is knowingly concealed:~~

~~"(3) TERMINATION OF BENEFITS.— If, after redetermining pursuant to this subsection the entitlement of an individual to monthly insurance benefits, the Secretary determines that there is insufficient evidence to support such entitlement, the Secretary may terminate such entitlement and may treat benefits paid on the basis of such insufficient evidence as overpayments:~~

**~~"Sec. 2207. Funding for benefit payments, grants, and program administration~~**

~~"(a) FUNDING FOR BENEFIT PAYMENTS AND GRANTS.—~~

~~"(1) IN GENERAL.— There are appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary to pay benefits under section 2202 and for grants under sections 2209 and 2210, subject to paragraph (2):~~

~~"(2) LIMITATION.— In no case shall a grant under section 2209 exceed a total amount (for all applicable individuals) equivalent to the sum of benefits paid (including, in the case of a grant under section 2209, the full cost of administering such benefits) for each applicable individual (as described) under paragraph (3)) calculated on the basis of a total number of hours of leave during the individual's benefit period equal to—~~

~~"(A) the product of 12 multiplied by the number of hours in a regular workweek of the individual (within the meaning of section 2203(d)), minus~~

~~"(B) the number of caregiving hours (as defined in section 2202(e)) of such individual credited in total to months during such benefit period under this title.~~

~~"(3) APPLICABLE INDIVIDUAL.— For purposes of paragraph (2), an 'applicable individual' is an individual, with respect to whom a grant under section 2209 is awarded, receiving paid family or medical leave benefits for days of leave under a paid family and medical leave benefit program of a legacy State (as defined in section 2209(b)).~~

~~"(b) FUNDING FOR PROGRAM ADMINISTRATION.— There are appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary for the following purposes (including through the use of grants or contracts except where otherwise specified):~~

~~"(1) Costs related to taking applications, responding to public inquiries, assisting with problem resolution, taking requests for appeals, and the provision of other necessary assistance to individuals applying for or receiving benefits under this title, including the following:~~

~~"(A) Costs related to staffing a national toll-free telephone number (which shall not be carried out through the use of grants or contracts);~~

~~"(B) Costs related to technology to support a national toll-free telephone number and to technology related to the design, construction and maintenance of an online application and customer service portal;~~

~~"(C) Costs related to mailed notices.~~

~~"(2) Costs related to determining eligibility (which shall not be carried out through the use of grants or contracts);~~

~~"(3) Costs related to ensuring program integrity and combating fraud, including by issuing regulations to do the following:~~

~~"(A) Ensure identity validation of applicants and beneficiaries.~~

~~"(B) Verify the professional credentials of relevant authorities who provide certifications pursuant to section 2204(b)(2).~~

~~"(C) Ensure the accuracy of any wage and self-employment income data used in the administration of this title.~~

~~"(D) Ensure that the attestation requirement in section 2204(b)(3) has been satisfied for each applicant and beneficiary.~~

~~"(E) Ensure the accuracy of periodic benefit claim reports.~~

~~"(F) Provide for post-effectuation quality review of approved claims and quality review of denied claims (which shall not be carried out through the use of grants or contracts);~~

~~"(4) Costs related to certification of payment of benefits (which shall not be carried out through the use of grants or contracts);~~

~~"(5) Costs related to appeals (which shall not be carried out through the use of grants or contracts);~~

~~"(6) Costs related to the administration by the Secretary of the legacy State grant program under section 2209 and the employer-sponsored plan grant program under section 2210:~~

~~"(7) Costs related to developing systems of records for purposes of administering the program under this title (which shall not be carried out through the use of grants or contracts, except that costs related to technology to support such systems of records may be carried out through the use of grants or contracts):~~

~~"(8) Costs related to data exchange and sharing, for which the Secretary shall enter into an agreement with relevant data sources including the National Directory of New Hires and shall seek to enter into agreements with States to obtain such information as the Secretary may require to determine eligibility and benefits payable under section 2202, administer the grants in sections 2209 and 2210, and verify such other information as the Secretary determines may be necessary in carrying out the provisions of this title:~~

~~"(9) Costs related to the training of employees, grantees, and contractors, including training relating to the prevention of discrimination in the administration of this title on the basis of race, color, ethnicity, religion, sex, sexual orientation, gender identity, disability, age, national origin, family composition, or living arrangements:~~

~~"(10) Costs related to providing technical assistance to legacy States under section 2209 and to employers or third party administrators designated by an employer of paid leave programs under section 2210:~~

~~"(11) Costs related to providing technical assistance to small business employers with respect to the requirements of the small business assistance grants in section 2214 and the process by which their employees may apply for benefits under section 2202; and~~

~~"(12) Any other costs necessary for the effective administration of this title:~~

**~~"Sec. 2208. Funding for outreach, public education, and research~~**

~~"(a) FUNDING FOR OUTREACH AND PUBLIC EDUCATION.— There are appropriated, out of any funds in the Treasury not otherwise appropriated, \$150,000,000 for each of fiscal years 2022 through 2026 for the Secretary to, with respect to benefits provided by the program under this title —~~

~~"(1) engage in a robust program of culturally and linguistically competent education and outreach toward ensuring awareness of and access to such benefits;~~

~~"(2) provide information to potential beneficiaries regarding eligibility requirements, the claims process, benefit amounts, maximum benefits payable, notice requirements, the appeals process, and nondiscrimination rights, including specific benefit estimates based on the average weekly earnings of a potential beneficiary; and~~

~~"(3) provide employers with a model notice to be used to inform employees of the availability of such benefits.~~

~~"(b) FUNDING FOR RESEARCH.— There are appropriated, out of any funds in the Treasury not otherwise appropriated, \$150,000,000 for each of fiscal years 2023 through 2027 for the Secretary to —~~

~~"(1) develop and carry out grants for research for the purpose of ensuring full access to the benefits provided by the program under this title, including through the detection and prevention of disparities on the basis of race, color, ethnicity, religion, sex, sexual orientation, gender identity, disability, age, national origin, income, language, job classification, family composition, or living arrangements; and~~

~~"(2) annually make available to the public beginning in fiscal year 2024 a report that includes—~~

~~"(A) the number of individuals who received such benefits;~~

~~"(B) the purposes and durations for which such benefits were received;~~

~~"(C) an analysis of benefit use by occupation, industry, wage levels, employer size, and geography;~~

~~"(D) an analysis of disparities identified by the grants for research authorized under this subsection on the basis of race, color, ethnicity, religion, sex, sexual orientation, gender identity, disability, age, national origin, family composition, or living arrangements;~~

~~"(E) a description of the actions by the Secretary to prevent disparities and ensure full access to the benefits provided by the program under this title;~~

~~"(F) a comparative analysis of paid family and medical leave benefits received by individuals through the program under section 2202, through a legacy State paid family and medical leave program described in section 2209, or through an employer-sponsored program described in section 2210 that takes into account the number of individuals receiving benefits, the characteristics of the benefits received, and the patterns of leave-taking under each program;~~

~~"(G) the number of employers who received a reimbursement grant under section 2210 and the number of employees of such employers who received paid family and medical leave benefits under an employer-sponsored program described in such section; and~~

~~"(H) the number of employers who received one or more small business assistance grants under section 2211 and the total number of such grants provided.~~

**~~"Sec. 2209. Funding for State administration option for legacy States~~**

~~"(a) IN GENERAL.— In each calendar year beginning with 2024, the Secretary shall make a grant to each State that, for the calendar year preceding such calendar year (or, in the case of a grant under this section in 2024, for the portion of such preceding calendar year occurring after June 30), was a legacy State and that met the data sharing requirements of subsection (c), in an amount equal to the lesser of—~~

~~"(1) an amount, as estimated by the Secretary, in consultation with the Secretary of Labor, equal to the total amount of paid family and medical leave benefits that would have been paid under section 2202 (including the full Federal cost of administering such benefits) to individuals who received benefits under a State program described in subsection (b) during the calendar year preceding such calendar year (or, in the case of a grant under this section in 2024, for the portion of such preceding calendar year occurring~~

~~after June 30) if the State had not been a legacy State for such preceding calendar year (or, in the case of a grant under this section in 2024, for the portion of such preceding calendar year occurring after June 30); or~~

~~“(2) an amount equal to the total cost of the State paid family and medical leave program described in subsection (b) for the calendar year preceding such calendar year (or, in the case of a grant under this section in 2024, for the portion of such preceding calendar year occurring after June 30), including—~~

~~“(A) the total amount of paid family and medical leave benefits that would have been paid to individuals under such program for leave that is exempt under such program on account of being otherwise paid under a program provided by such individual’s employer; and~~

~~“(B) the full cost to the State of administering such program.~~

~~In any case in which, during any calendar year, the Secretary has reason to believe that a State will be a legacy State and meet the data sharing requirements of subsection (c) for such calendar year, the Secretary may make estimated payments during such calendar year of the grant which would be paid to such State in the succeeding calendar year, to be adjusted as appropriate in the succeeding calendar year.~~

~~“(b) LEGACY STATE.—For purposes of this section, the term ‘legacy State’ for a calendar year means a State that the Secretary, in consultation with the Secretary of Labor, determines~~

~~“(1) has enacted, not later than the date of enactment of this title, a State law that provides paid family and medical leave benefits; and~~

~~“(2) for any calendar year that begins on or after the date that is 3 years after the date of enactment of this title, has in effect, throughout such calendar year, a State program enacted into law—~~

~~“(A) that provides paid family and medical leave benefits—~~

~~“(i) for at least 12 full workweeks of leave during each 12-month period to at least all of those individuals in the State who would be eligible for paid family and medical leave benefits under section 2202 (without regard to section 2202(e)(2)(D)) during any part of such calendar year, provided that such State program—~~

~~“(i) shall provide paid family and medical leave benefits for leave from employment by the State or any political subdivision thereof, except that any State or local employees subject to a collective bargaining agreement may be excluded from such coverage with the agreement of 90 percent of the employees covered by the collective bargaining agreement; and~~

~~“(ii) may provide such benefits for leave from Federal employment; and~~

~~“(iii) at a wage replacement rate that is at least equivalent to the wage replacement rate under the program under this title (without regard to section 2202(e)(2)(D)); and (l)~~



~~"(B) that provides an annual notice to each individual whose employment would be eligible for such benefits under the State program.~~

~~"(c) DATA SHARING.— As a condition of receiving a grant under subsection (a) in a calendar year, a State shall enter into an agreement with the Secretary under which the State shall provide the Secretary—~~

~~"(1) with information, to be provided periodically as determined by the Secretary, concerning individuals who received a paid leave benefit under a State program described in subsection (b), including each individual's name, information to establish the individual's identity, dates for which such paid leave benefits were paid, the amount of such paid leave benefit, and, to the extent available, such other information concerning such individuals as the Secretary may require for the purpose of carrying out this section and section 2202(e)(2)(D);~~

~~"(2) not later than July 1 of such calendar year, the amount described in subsection (a)(2) for the calendar year preceding such calendar year; and~~

~~"(3) such other information as the Secretary determines may be necessary in carrying out the provisions of this title, including for the purposes of promoting equity as described under section 2206(a) and for research described under section 2208(b).~~

~~"(d) FUNDING FOR TRANSITIONAL COSTS FOR LEGACY STATES.—~~

~~"(1) IN GENERAL.— There are appropriated to the Secretary, out of any funds in the Treasury not otherwise appropriated, such sums as necessary for grants in accordance with this subsection.~~

~~"(2) TRANSITION GRANTS.— The Secretary shall make a grant under this subsection to each State that—~~

~~"(A) is a legacy State for the calendar year in which occurs the date of enactment of this title;~~

~~"(B) certifies to the Secretary that the State intends to remain a legacy State and meet the data sharing requirements of subsection (c) at least through the first calendar year that begins on or after the date that is 3 years after the date of enactment of this title; and~~

~~"(C) agrees to repay the full amount of such grant if the State fails to remain a legacy State and meet the data sharing requirements of subsection (c) as certified in subparagraph (B);~~

~~"(3) AMOUNT OF GRANT.— The amount of a grant provided to a State under this subsection shall be equal to 1/2 of the sum of the State's expenditures from the date of enactment of this title through the calendar year described in paragraph (2)(B) on—~~

~~"(A) the costs of creating new information technology systems as needed to implement the data sharing requirements of subsection (c) (including staffing costs related to such systems); and~~

~~"(B) other necessary costs incurred by the State to meet the requirements of section (b)(2)(A)(ii). (1)~~

~~"(4) ESTIMATED ADVANCE PAYMENTS.—The Secretary may make estimated payments of a grant provided to a State under this subsection for any calendar year, to be adjusted as appropriate in the succeeding calendar year.~~

**~~"Sec. 2210. Reimbursement option for employer-sponsored paid leave benefits~~**

~~"(a) IN GENERAL.—For each calendar year beginning with 2023, the Secretary shall make a grant to each employer that is an eligible employer for such calendar year in an amount equal to—~~

~~"(1) in the case of an eligible employer sponsoring a paid family and medical leave benefit program with respect to which benefits are awarded and paid under a contract with an insurer, an amount equal to 90 percent of the product of—~~

~~"(A) the projected national average cost per employee of providing paid family and medical leave benefits as determined by the Secretary for such calendar year under subsection (c)(3) (or, in the case of calendar year 2023, 1/2 of such projected national average cost); multiplied by~~

~~"(B) the number of employees (pro-rated for part-time employees) covered under the program for such calendar year (or, in the case of calendar year 2023, for the portion of such calendar year occurring after June 30); and~~

~~"(2) in the case of an eligible employer sponsoring a self-insured paid family and medical leave benefit program with respect to which benefits are awarded and paid directly by the employer (or by a third party administrator on behalf of the employer), an amount equal to 90 percent of—~~

~~"(A) the amount of benefits paid under the program for such calendar year to individuals for up to 12 weeks of leave per individual (or, in the case of calendar year 2023, for the portion of such calendar year occurring after June 30); or~~

~~"(B) if lesser, the product of the national average weekly benefit amount paid under section 2203(a) during such calendar year (or, in the case of calendar year 2023, during the portion of such calendar year occurring after June 30) multiplied by the number of weeks of leave (up to 12 per individual) paid by the employer for all individuals under the program for the calendar year (or such portion in the case of calendar year 2023):~~

~~"(b) ELIGIBILITY; APPLICATION REQUIREMENTS.—~~

~~"(1) IN GENERAL.—For purposes of subsection (a), an eligible employer for a calendar year is an employer (other than the Federal Government or the government of any State (or political subdivision thereof) that is a legacy State for such calendar year under section 2209) that satisfies all of the following requirements:~~

~~"(A) NON-LEGACY STATE EMPLOYEES.—The employer has one or more employees during such calendar year whose employment with such employer would not be eligible for paid family or medical leave benefits under the law of any legacy State (as defined in section 2209(b)) for such calendar year.~~

~~"(B) APPLICATION; SUBMISSION OF REQUIRED INFORMATION.—Not later than the certification deadline specified in paragraph (2)(A) for such calendar year, the~~

employer—

~~"(i) notifies the Secretary that the employer intends to seek a grant under this section for such calendar year;~~

~~"(ii) certifies to the Secretary that the employer will have in effect during such calendar year a paid family and medical leave benefit program that meets the requirements of subsection (c) and, not later than the submission deadline specified in paragraph (2)(B) for such calendar year, provides all documentation relating to such program as the Secretary may request; and~~

~~"(iii) pays an application fee of \$1,000 (or \$200 in the case of a renewed application);~~

~~"(C) APPROVAL BY THE SECRETARY.—The paid family and medical leave benefit program referred to in subparagraph (B) is subsequently approved by the Secretary as meeting all applicable requirements.~~

~~"(D) INFORMATION SUBMISSION REQUIREMENT.—At the time of application for such grant for each calendar year, the employer—~~

~~"(i) submits to the Secretary—~~

~~"(I) an attestation that the paid family and medical leave benefit program referred to in subparagraph (B) will remain in effect during the whole of such calendar year (or, in the case of a program not in effect at the beginning of such calendar year, an attestation that such program will remain in effect until the end of such calendar year); and~~

~~"(II) with respect to each employee of the employer covered by the program for such calendar year, the employee's name, information to establish the employee's identity, and in the case of a part-time employee (for purposes of determining the number of employees (pro-rated for part-time employees) covered under the program for such calendar year under subsection (a)(1)(B)), the number of hours the employee regularly works in a week; and~~

~~"(ii) agrees to submit information to the Secretary as described in subsection (e);~~

~~"(E) MAINTENANCE OF RECORDS.—The employer agrees to retain all records relating to the employer's paid family and medical leave benefit program for not less than 3 years.~~

~~"(F) JOB PROTECTIONS AND OTHER EMPLOYEE RIGHTS.—As a condition of the grant, the employer agrees—~~

~~"(i) that, on return from leave under the program described in subparagraph (B), the individual taking such leave will—~~

~~"(I) be restored by the employer to the position of employment held by the individual when the leave commenced; or~~

~~"(II) be restored to an equivalent position with equivalent employment benefits, pay, and other terms and conditions of employment;~~

~~"(ii) to maintain coverage for the individual under any 'group health plan' (as defined in section 2212) for the duration of such leave at the level and under the conditions coverage would have been provided if the individual had continued in employment continuously for the duration of such leave;~~

~~"(iii) in any case in which an employee receives an adverse determination from the employer (or administering entity) with respect to paid family and medical leave benefits under the program described in subparagraph (B) —~~

~~"(I) to provide opportunity for the employee to appeal such adverse determination to the employer (or administering entity); and~~

~~"(II) in any case in which the employee elects to appeal the results of such initial appeal to the Secretary pursuant to section 2205(a)(1)(B) and the final decision of the Secretary is in the employee's favor, to provide for the payment of such paid family and medical leave benefits in addition to the costs to the Secretary of such secondary appeal;~~

~~"(iv) to provide annual notice to all employees of the availability of paid family and medical leave benefits under the program described in subparagraph (B) and of the right to appeal any adverse determination with respect to such benefits; and~~

~~"(v) not to impose any fee on any employee related to the receipt of paid family and medical leave benefits under the program described in subparagraph (B);~~

~~"(G) ADDITIONAL ASSURANCES. — The employer provides assurances that the employer (or administering entity) —~~

~~"(i) will not interfere with, restrain, or deny the exercise of, or the attempt to exercise, any right provided under such policy;~~

~~"(ii) will notify an employee in any case in which the employee is provided reimbursable benefits; and~~

~~"(iii) will not discharge, or in any other manner discriminate against, any individual for opposing any practice prohibited by such policy.~~

~~"(H) SPECIAL CONDITIONS IN THE CASE OF CERTAIN EMPLOYERS. —~~

~~"(i) SELF-INSURED PRIVATE EMPLOYERS. — In the case of a paid family and medical leave benefit program of an employer (other than a State or political subdivision thereof) with respect to which benefits are awarded and paid directly by the employer (or by a third party administrator on behalf of the employer) —~~

~~"(I) such employer employs at least 50 employees described in subparagraph (A);~~

~~"(II) such benefits are guaranteed by a surety bond held by the employer; and~~

~~"(III) such employer (or administering entity) holds funds in a dedicated account for such benefits not used for any other business purpose.~~

~~"(ii) SELF-INSURED STATE AND LOCAL EMPLOYERS.—In the case of a paid family and medical leave benefit program of an employer that is a State (or political subdivision thereof) with respect to which benefits are awarded and paid directly by the employer (or by a third party administrator on behalf of the employer), such benefits are negotiated pursuant to a collective bargaining agreement.~~

~~"(2) TIMING OF APPLICATION.—~~

~~"(A) CERTIFICATION.—The certification deadline specified in this subparagraph for a calendar year is—~~

~~"(i) for calendar year 2023, March 31, 2023; and~~

~~"(ii) for any calendar year after 2023, 90 days before the beginning of such calendar year;~~

~~or, if later, the date that is 90 days before a plan described in paragraph (1)(B) first goes into effect.~~

~~"(B) SUBMISSION OF DOCUMENTATION.—The submission deadline specified in this subparagraph for a calendar year is—~~

~~"(i) for calendar year 2023, May 15, 2023; and~~

~~"(ii) for any calendar year after 2023, 45 days before the beginning of such calendar year;~~

~~or, if later, the date that is 45 days before a plan described in paragraph (1)(B) first goes into effect.~~

~~"(c) EMPLOYER PROGRAM REQUIREMENTS.—~~

~~"(1) IN GENERAL.—A paid family and medical leave benefit program shall not be considered to meet the requirements of this subsection unless such program consists of a written employer policy that provides for the payment, through one or more employee benefit plans, of family and medical leave benefits, which may be guaranteed through an insurer and which may be administered by an insurer or by another third party entity, that includes each element in the model template described in paragraph (2), and that provides for each of the following:~~

~~"(A) The provision of such benefits to all employees described in subsection (b)(1)(A), regardless of length of service, job type, membership in a labor organization, seniority status, or any other employee classification.~~

~~"(B) Each of the job protections and other employee rights described in subsection (b)(1)(F).~~

~~"(C) Each of the assurances described in subsection (b)(1)(G).~~

~~"(D) Submission of information to the Secretary as described in subsection (e).~~

~~"(2) MODEL TEMPLATE.—Not later than July 1, 2022, the Secretary shall make available to eligible employers a model template of a written policy providing paid family and medical leave benefits. (l)~~

~~"(A) at a wage replacement rate that is at least as great as the wage replacement rate that an employee would receive under the program under this title (without regard to section 2202(c)(2)(G));~~

~~"(B) for a total number of weeks of paid leave that is at least as great as the total number of weeks of paid leave that an employee would receive under the program under this title (without regard to such section);~~

~~"(C) for all of the reasons for which an individual would be considered to be engaged in qualified caregiving under section 2202(c)(2)(A), regardless of any pre-existing medical conditions;~~

~~"(D) for leave which may be taken intermittently or on a reduced leave schedule;~~

~~"(E) that does not impose any fee on any employee related to the receipt of such benefits;~~

~~"(F) which must be paid not less frequently than monthly;~~

~~"(G) for which applications must be processed and notifications provided at least as quickly as is provided under section 2204 for benefits provided under section 2202(a); and~~

~~"(H) for which any information contained in an application for such benefits shall be presumed to be true and accurate, unless the employer (or administering entity) demonstrates by a preponderance of the evidence that information contained in the application is false;~~

~~"(3) NATIONAL AVERAGE COST.— Not later than October 1 of the calendar year before each calendar year beginning with 2023, the Secretary shall determine the projected national average cost per employee for such calendar year of a paid family and medical leave benefit program that meets the requirements of paragraph (2) (assuming administrative costs no greater than the average or projected average administrative costs of providing benefits under section 2202), taking into account projected benefit levels, duration of benefits, and frequency of use of the program in such calendar year.~~

~~"(d) TIMING OF PAYMENT; PENALTY FOR LATE FILING.—~~

~~"(1) INSURED EMPLOYERS.— A grant paid under this section for a calendar year to an eligible employer described in subsection (a)(1) shall be paid by the Secretary not later than 30 days after the beginning of such calendar year, except that in the case of a grant under this section for calendar year 2023, such grant shall be paid by the Secretary not later than August 1, 2023.~~

~~"(2) SELF-INSURED EMPLOYERS.— A grant paid under this section for a calendar year to an eligible employer described in subsection (a)(2) shall be paid by the Secretary not later than March 31 of the calendar year succeeding such calendar year.~~

~~"(3) PENALTY FOR LATE FILING.— In any case in which an eligible employer seeking a grant under this subsection for a calendar year fails to submit all required documentation by the submission deadline for such calendar year as required under subsection (b)(1)(B)~~

~~(i)—~~

~~(l)~~

~~"(A) the grant for such calendar year for such employer shall not be paid until 45 days after the date of payment otherwise specified in paragraph (1) or (2), as applicable; and~~

~~"(B) the amount of such grant shall be reduced by 2 percent for each 7 days by which such submission deadline is exceeded.~~

~~"(c) INFORMATION SUBMISSION.— As a condition of receiving a grant under subsection (a) for a calendar year, an employer shall provide the Secretary with information, at such times and in such manner as determined by the Secretary, concerning individuals who received a paid leave benefit under the paid family and medical leave benefit program of the employer, including each individual's name, information to establish the individual's identity, dates for which such paid leave benefits were paid, the amount of such paid leave benefit, and, to the extent available, such other information concerning such individuals as the Secretary may require for the purpose of carrying out this section and section 2202(c)(2)(C), and for otherwise carrying out the provisions of this title, including for the purposes of promoting equity as described under section 2206(a) and for research described under section 2208(b).~~

~~"(f) ENFORCEMENT.—~~

~~"(1) IN GENERAL.— The Secretary shall conduct periodic reviews of employers receiving grants under this section (and of entities administering such grants). The Secretary may withdraw approval of the paid family and medical leave benefit program of an employer in any case in which the Secretary finds that the employer (or administering entity) has violated any requirement of this section, and may disqualify an employer (or administering entity) from receiving (or administering) subsequent grants under this section in the case of repeated violations.~~

~~"(2) PENALTIES RELATING TO APPEALS.— In any case in which the Secretary determines that a pattern exists with respect to an employer (or administering entity) in which the employer (or administering entity) has incorrectly denied claims for paid leave benefits under the employer-sponsored program and such claims have subsequently been approved by the Secretary pursuant to an appeal described in section 2205(a)(1)(B), the Secretary may impose such penalties on the employer (or administering entity) as the Secretary deems appropriate, which may include a reduction in, or disqualification from receiving (or administering), subsequent grants under this section.~~

~~"(3) PENALTIES ON ADMINISTERING ENTITIES.— In the case of a third-party entity administering a paid family and medical leave benefit program of an employer, such entity shall notify such employer in any case in which a penalty is imposed under this subsection on the administering entity not later than 30 days after the date on which such penalty has been imposed. In any case in which the Secretary determines that a pattern of misconduct exists with respect to an entity administering benefits under this section for multiple employers, the Secretary may disqualify such entity from administering employer-sponsored programs receiving subsequent grants under this section.~~

~~"(4) EMPLOYER AND ADMINISTRATOR APPEALS.— An employer (or administering entity) with respect to which a penalty is imposed under this subsection may appeal such~~

~~decision to the Secretary only if such appeal is filed with the Secretary not later than 60 days after the date of such decision:~~

~~"(g) GREATER BENEFITS PERMITTED.— Nothing in this section shall be construed to prohibit an eligible employer from providing paid family and medical leave benefits that exceed the requirements described in this section:~~

**~~"Sec. 2211. Funding for small business assistance~~**

~~"(a) IN GENERAL.— There are appropriated, out of any funds in the Treasury not otherwise appropriated, such sums as may be necessary for grants in accordance with this section:~~

~~"(b) SMALL-BUSINESS ASSISTANCE GRANTS.— The Secretary shall make a grant to each eligible employer (as defined in subsection (g)) who employs a covered individual (as so defined) if such eligible employer satisfies the requirements of subsection (c):~~

~~"(c) GRANT REQUIREMENTS.— An eligible employer seeking a grant under this section with respect to a covered individual described in subsection (b) shall—~~

~~"(1) not later than 90 days after such individual returns from qualified leave (as defined in subsection (g)) from the employer, submit an application to the Secretary in such manner as the Secretary shall provide;~~

~~"(2) attest to the Secretary that the employer reasonably expects to, during the period in which such individual is taking such qualified leave, incur costs attributable to replacing the labor of such individual during such period in excess of the wages that would be paid to the individual during such period if such leave were not taken;~~

~~"(3) agree that, on return from such qualified leave, the individual will—~~

~~"(A) be restored by the employer to the position of employment held by the individual when the leave commenced; or~~

~~"(B) be restored to an equivalent position with equivalent employment benefits, pay, and other terms and conditions of employment;~~

~~"(4) agree to maintain coverage for the individual under any 'group health plan' (as defined in section 2212) for the duration of such qualified leave at the level and under the conditions coverage would have been provided if the individual had continued in employment continuously for the duration of such leave;~~

~~"(5) upon the award of such grant, notify the individual of their rights under paragraphs (3) and (4):~~

~~"(d) AMOUNT OF GRANT.— The amount of a grant to an eligible employer with respect to a covered individual shall be an amount equal to the product of 2.5 multiplied by the average weekly wage of the State in which the individual's worksite is located for the most recent calendar year. For purposes of this subsection, the average weekly wage of a State for a calendar year shall be determined and annually published by the Secretary on the basis of data prepared by the Bureau of Labor Statistics that is based on a quarterly census of employers in the State of wages paid for unemployment insurance-covered employment:~~

~~"(e) LIMITATIONS.— In no case may an eligible employer—~~



~~"(1) receive more than 1 grant under this section with respect to the same covered individual in a single calendar year; or~~

~~"(2) receive more than 10 total grants under this section in a single calendar year.~~

~~"(f) ENFORCEMENT.— In any case in which—~~

~~"(1) an employer's attestation with respect to costs incurred made pursuant to subsection (e)(2) is not made in good faith; or~~

~~"(2) an employer who receives a grant under this section with respect to a covered individual fails to satisfy the requirements of paragraph (3) or (4) of subsection (e) with respect to such individual;~~

~~the Secretary may require the employer to repay the full amount of such grant (including any applicable interest) and may permanently prohibit the employer from applying for any subsequent grants under this section.~~

~~"(g) DEFINITIONS.— For purposes of this section —~~

~~"(1) COVERED INDIVIDUAL.— For purposes of this section, the term 'covered individual' means an individual employed by an eligible employer who takes 4 or more weeks of leave from such employer, or anticipates taking 4 or more weeks, during the individual's benefit period for which the individual receives paid family and medical leave benefits—~~

~~"(A) under section 2202(a);~~

~~"(B) under the law of a legacy State (as defined in section 2209(b)); or~~

~~"(C) under an eligible employer-sponsored plan under section 2210;~~

~~but only if the eligible employer has received no other State or Federal grant intended to cover the costs described in subsection (c)(2) with respect to such individual.~~

~~"(2) ELIGIBLE EMPLOYER.— The term 'eligible employer' means any person (other than a governmental agency) who regularly employs at least 1 and not more than 50 employees.~~

~~"(3) QUALIFIED LEAVE.— The term 'qualified leave' means leave taken by an individual with respect to which the individual is eligible for paid family and medical leave benefits under section 2202, under the law of a legacy State (as defined in section 2209(b)), or under an eligible employer-sponsored plan under section 2210.~~

#### **~~"Sec. 2212. Definitions~~**

~~For purposes of this title the following definitions apply:~~

~~"(1) GROUP HEALTH PLAN.— The term 'group health plan' has the meaning given such term in section 5000(b)(1) of the Internal Revenue Code of 1986.~~

~~"(2) NATIONAL AVERAGE WAGE INDEX.— The term 'national average wage index' has the meaning given such term in section 209(k)(1).~~

~~"(3) SECRETARY.— The term 'Secretary' means the Secretary of the Treasury.~~

~~"(4) SELF-EMPLOYMENT INCOME.— The term 'self-employment income' has the meaning given the term in section 1402(b) of the Internal Revenue Code of 1986 for~~

purposes of the taxes imposed by section 1401(b) of such Code. For purposes of section 2202(a) and 2203(b)(3), the Secretary shall determine rules for the crediting of self-employment income to calendar quarters, under which—

"(A) in the case of a taxable year which is a calendar year, self-employment income shall be credited equally to each quarter of such calendar year; and

"(B) in the case of any other taxable year, such income shall be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"(5) STATE.—The term 'State' means any State of the United States or the District of Columbia or any territory or possession of the United States.

"(6) WAGES.—The term 'wages' has the meaning given such term in section 3124(a) of the Internal Revenue Code of 1986 for purposes of the taxes imposed by sections 3401(b) and 3441(b) of such Code, except that such term also includes—

"(A) compensation, as defined in section 3231(e) of such Code for purposes of the Railroad Retirement Tax Act; and

"(B) unemployment compensation, as defined in section 85(b) of such Code.

"(7) WEEK.—The term 'week' means a 7-day period beginning on a Sunday."

\* **Sec. 130002. Access to wage information from the National Directory of New Hires for the purpose of administering paid leave**

(a) IN GENERAL.—Section 453(j) of the Social Security Act (42 U.S.C. 653(j)) is amended

(1) by redesignating paragraphs (5) through (11) as paragraphs (6) through (12), respectively; and

(2) by adding after paragraph (4) the following:

"(5) PROVISION OF NEW HIRE INFORMATION FOR PURPOSES OF FAMILY AND MEDICAL LEAVE PROGRAM.—

"(A) IN GENERAL.—The National Directory of New Hires shall provide the Secretary of the Treasury with all information in the National Directory relating to wages paid to individuals.

"(B) USE AND MAINTENANCE OF INFORMATION BY THE SECRETARY OF THE TREASURY.—The Secretary of the Treasury may use information provided under this paragraph only for purposes of administering the paid family and medical leave benefit program under title XXII, and shall maintain such information in the records of the Secretary of the Treasury for such time as the Secretary of the Treasury deems necessary for the administration of such program."

(b) CONFORMING AMENDMENT.—Section 453(i)(2)(C) of such Act (42 U.S.C. 653(i)(2)(C)) is amended by striking "(j)(5)" and inserting "(j)(6)".

\* **Subtitle B—Retirement**

**Sec. 131001. Amendment of 1986 Code**

Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

**Part 1—Automatic contribution plans and arrangements****Sec. 131101. Tax imposed on employers failing to maintain or facilitate automatic contribution plan or arrangement**

~~(a) AUTOMATIC CONTRIBUTION PLAN OR ARRANGEMENT.—~~

~~(1) IN GENERAL.—~~ Section 414 is amended by adding at the end the following:

~~"(aa) AUTOMATIC CONTRIBUTION PLAN OR ARRANGEMENT.—~~ For purposes of this title

~~"(1) IN GENERAL.—~~ The term 'automatic contribution plan or arrangement' means

~~"(A) a defined contribution plan that—~~

~~"(i) is described in clause (i), (ii), or (iv) of section 219(g)(5)(A);~~

~~"(ii) includes a qualified cash or deferred arrangement or a salary reduction arrangement, and~~

~~"(iii) meets the notice, eligibility, contribution, investment, fee, and lifetime income requirements of paragraphs (2), (3), (4), (5), (6), and (7), respectively;~~

~~"(B) an automatic IRA arrangement described in paragraph (9),~~

~~"(C) an arrangement described in section 408(p) that meets the notice, contribution, investment, and fee requirements described in paragraphs (2), (4), (5), and (6), and~~

~~"(D) a plan described in clause (i), (ii), (iv), (v), or (vi) of section 219(g)(5)(A) that is established and maintained by an employer as of the date of enactment of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14, or a plan described in section 219(g)(5)(A)(iv) that is not subject to title I of the Employee Retirement Income Security Act of 1974 and offers annuity contracts, or makes custodial accounts available to employees, as of such date.~~

~~"(2) NOTICE REQUIREMENTS.—~~ A plan or arrangement shall be treated as meeting the notice requirements of this paragraph with respect to an employee if the plan or arrangement meets the notice requirements of, or similar to, the notice requirements of section 401(k)(13)(E), excluding any such notice requirements that are not applicable or relevant to the such plan or arrangement.

~~"(3) ELIGIBILITY REQUIREMENTS.—~~

~~"(A) IN GENERAL.—The requirements of this paragraph shall be treated as met if all employees of the employer are eligible to participate in an automatic contribution plan or arrangement maintained or facilitated by the employer.~~

~~"(B) CERTAIN EXCLUSIONS.—The following employees may be excluded from consideration in determining whether the requirements of this paragraph are met:~~

~~"(i) INDIVIDUALS LESS THAN 21 YEARS OLD.—Any employee who has not attained age 21.~~

~~"(ii) CERTAIN OTHER EMPLOYEES.—Any employee described in section 410(b)(3):~~

~~"(iii) SERVICE REQUIREMENTS.—Any employee who has not completed at least one of the following periods of service with the employer maintaining or facilitating the plan or arrangement:~~

~~"(I) The period permitted under section 410(a)(1) (determined without regard to subparagraph (B)(i) thereof):~~

~~"(II) A period of 2 consecutive 12-month periods during each of which the employee has at least 500 hours of service.~~

~~"(C) SPECIAL RULES FOR CONTROLLED GROUPS.—Eligible employees within an employer need not be eligible to participate in the same automatic contribution plan or arrangement. For purposes of this subsection, the term 'employer' shall include all employers treated as a single employer under subsection (b), (c), (m), or (o) of section 414.~~

~~"(D) ENTRY DATES.—Rules similar to the rules of section 410(a)(4) shall apply with respect to employees who have satisfied the age and service requirements referenced in subparagraph (B) and who are otherwise entitled to participate in a plan or arrangement.~~

~~"(4) CONTRIBUTION REQUIREMENTS.—~~

~~"(A) IN GENERAL.—The requirements of this paragraph shall be treated as met if, under the plan or arrangement, each employee eligible to participate in the plan or arrangement is treated as having elected to have the employer make elective contributions in an amount equal to the qualified percentage of compensation.~~

~~"(B) ELECTION OUT.—The election treated as having been made under subparagraph (A) shall cease to apply with respect to any employee if such employee makes an affirmative election—~~

~~"(i) not to have such contributions made, or~~

~~"(ii) to make elective contributions at a level specified in such affirmative election.~~

~~"(C) QUALIFIED PERCENTAGE.—For purposes of this paragraph, and except as provided in subparagraph (D)(i), the term 'qualified percentage' means, with respect to any employee, any percentage determined under the plan or~~

arrangement if such percentage is applied uniformly, does not exceed 15 percent (10 percent during the period described in clause (i)), and is at least—

"(i) 6 percent during the period ending on the last day of the first plan year which begins after the date on which the first elective contribution described in subparagraph (A) is made with respect to such employee;

"(ii) 7 percent during the first plan year following the plan year described in clause (i);

"(iii) 8 percent during the first plan year following the plan year described in clause (ii);

"(iv) 9 percent during the first plan year following the plan year described in clause (iii); and

"(v) 10 percent during any subsequent plan year.

"(D) RULES RELATING TO AUTOMATIC IRA ARRANGEMENTS.— For purposes of this paragraph—

"(i) QUALIFIED PERCENTAGE.— In the case of an automatic IRA arrangement, the term 'qualified percentage' means, with respect to an employee for any plan year, a percentage equal to the minimum percentage described for such plan year under subparagraph (C).

"(ii) PAYROLL DEDUCTION CONTRIBUTIONS.— In the case of an automatic IRA arrangement, any reference in this paragraph to elective contributions shall be treated as including a reference to payroll deduction contributions.

"(5) INVESTMENT REQUIREMENTS.—

"(A) IN GENERAL.—

"(i) DEFAULT INVESTMENTS.— A plan or arrangement shall be treated as meeting the requirements of this paragraph if in the absence of an investment election by a participant or beneficiary, amounts are invested only in the class of assets or funds described in subparagraph (B).

"(ii) REQUIRED INVESTMENT OPTIONS IN AUTOMATIC IRA ARRANGEMENT.— In addition to the default investment requirement of clause (i), an automatic IRA arrangement shall be treated as meeting the requirements of this paragraph if the arrangement also allows the participant to invest in any of the class of assets or funds described in subparagraph (B), (C), (D), or (E), and provides for no other investment options.

"(B) TARGET DATE/LIFECYCLE OPTION.— The class of assets or funds described in this clause is the class of assets or funds that constitutes a qualified default investment alternative under Department of Labor regulation section 2550.404c-5(e)(4)(i).

"(C) PRINCIPAL PRESERVATION.— The class of assets or funds described in this clause is the class of assets or funds that is designed to protect the principal of the individual on an ongoing basis.

~~"(D) BALANCED OPTION.—The class of assets or funds described in this clause is the class of assets or funds that constitutes a qualified default investment alternative under Department of Labor regulation section 2550.404c-5(e)(4)(ii).~~

~~"(E) OTHER.—Any other class of assets or funds determined by the Secretary to be a qualified investment for purposes of this section:~~

~~"(G) FEE REQUIREMENTS.—In the case of any plan or arrangement not otherwise subject to title I of the Employee Retirement Income Security Act of 1974, under the fee requirements of this paragraph, no participant may be charged unreasonable fees or expenses:~~

~~"(7) LIFETIME INCOME REQUIREMENTS.—~~

~~"(A) IN GENERAL.—A plan or arrangement shall be treated as meeting the lifetime income requirement described in this paragraph if the plan or arrangement permits participants to elect to receive at least 50 percent of their vested account balance in a form of distribution described in section 401(a)(38)(B)(iii):~~

~~"(B) EXCEPTION.—~~

~~"(i) IN GENERAL.—This paragraph shall not apply with respect to any participant whose vested account balance is \$200,000 or less at the time of distribution.~~

~~"(ii) NOT TREATED AS DISCRIMINATORY IN FAVOR OF HIGHLY COMPENSATED EMPLOYEES.—A plan shall not be treated as failing to meet the requirements of section 401(a)(4) solely by reason of applying the exception of clause (i) to the requirements of subparagraph (A):~~

~~"(8) AUTOMATIC IRA ARRANGEMENT.—~~

~~"(A) IN GENERAL.—For purposes of this paragraph, the term 'automatic IRA arrangement' means, with respect to an employer (and trustee or issuer designated by the employer), an arrangement facilitated by the employer which meets the requirements of this paragraph and the eligibility, contribution, investment, and fee requirements of paragraphs (3), (4), (5), and (6), and under which an employee—~~

~~"(i) may elect—~~

~~"(I) to have the employer make payroll deduction deposits on behalf of the individual as payroll deduction contributions to an individual retirement account, or~~

~~"(II) to have such payments paid to the employee directly in cash;~~

~~"(ii) is treated as having made the election under clause (i)(I) at the level determined under paragraph (4)(D) until the individual makes an affirmative election not to have such contributions made (or to have such contributions made at a level specified in the affirmative election); and~~

~~"(iii) may elect to modify the manner in which such amounts are invested for such plan year.~~

~~"(B) ADMINISTRATIVE REQUIREMENTS.—~~

~~"(i) PAYMENTS.— The requirements of this subparagraph are met with respect to any automatic IRA arrangement if the employer makes the payments elected or treated as elected under subparagraph (A)(i) on or before the last day of the month following the month in which the compensation otherwise would have been payable to the employee in cash.~~

~~"(ii) NOTICE OF ELECTION PERIOD.— The requirements of this paragraph shall be treated as met with respect to any year if the employer notifies each employee eligible to participate, within a reasonable period of time before the beginning of such year (and, for the first year the employee is so eligible, a reasonable period of time before the first day such employee is so eligible), of—~~

~~"(I) the opportunity to elect to have contributions made, or to be treated as so electing, under clause (i)(I), or (ii), of subparagraph (A);~~

~~"(II) the opportunity to elect not to have payroll deduction contributions made or to have such contributions made at a different percentage or in a different amount, and~~

~~"(III) the opportunity under subparagraph (A)(iii) to modify the manner in which such amounts are invested for such year.~~

~~The employer shall provide such notice in paper form or, if the employee so elects, in electronic form.~~

~~"(C) LIMITS ON CONTRIBUTIONS.— An employer shall not be treated as failing to satisfy the requirements of this section or any other provision of this title merely because—~~

~~"(i) aggregate payroll deduction contributions by or on behalf of an individual to individual retirement accounts of the individual exceed the deductible amount in effect under section 219(b)(5) (determined without regard to subparagraph (B) thereof) for any taxable year in which any payroll deduction contributions by the employer under an automatic IRA arrangement are made, or~~

~~"(ii) the employer chooses to limit the payroll deduction contributions under this subsection on behalf of an employee for any calendar year in a manner reasonably designed to avoid exceeding such deductible amount.~~

~~"(D) DEFAULT TREATMENT AS ROTH IRA.— An employee on whose behalf payroll deduction contributions are made to an individual retirement account under subparagraph (A) may elect, at such time and in such manner and form as the Secretary may prescribe, whether to treat the individual retirement account as designated as a Roth IRA. If no such election is made, the account shall be treated as so designated.~~

~~"(E) DEPOSITS TO INDIVIDUAL RETIREMENT ACCOUNTS OF A DESIGNATED TRUSTEE OR ISSUER.—~~

~~"(i) IN GENERAL.—An employer shall not be treated as failing to satisfy the requirements of this section, or any other provision of this title, merely because the employer makes all payroll deduction contributions on behalf of all employees (or all employees who do not specify an individual retirement account, trustee, or issuer to receive the contributions) to individual retirement accounts specified in clause (ii):~~

~~"(ii) INDIVIDUAL RETIREMENT ACCOUNTS OTHER THAN THOSE SELECTED BY EMPLOYEE.—An employer may elect to have payroll deduction contributions for all employees participating in an automatic IRA arrangement made to individual retirement accounts of a trustee or issuer under the arrangement that has been designated by the employer, but only if the provider of such accounts, and the investments therein, are identified on the website established under subparagraph (F)(iii). The preceding sentence shall not apply unless each participant is notified in writing that the participant's balance may be transferred without cost or penalty to another individual retirement account established by or on behalf of the participant. Such notice shall be in paper form or, if the employee so elects, electronic form:~~

~~"(iii) EMPLOYERS MAY PERMIT EMPLOYEE TO CHOOSE IRA.—If the employer so elects, the arrangement may provide for an employee election to have payroll deduction contributions made to any individual retirement account specified by the employee:~~

~~"(iv) REGULATIONS.—The Secretary may issue such regulations as are necessary to carry out the purposes of this subparagraph, including establishment of procedures to assist employers in connecting with certified and available providers of individual retirement accounts and to communicate to individuals the importance of investment diversification:~~

~~"(F) MODEL NOTICE, ETC.—The Secretary shall—~~

~~"(i) provide a model notice, written in a manner calculated to be understandable to the average worker, that is simple for employers to use—~~

~~"(I) to notify employees of the requirement under this section for the employer to provide certain employees with the opportunity to participate in an automatic IRA arrangement, and~~

~~"(II) to satisfy the requirements of subparagraph (B)(ii);~~

~~"(ii) provide model forms for enrollment, including automatic enrollment, in an automatic IRA arrangement;~~

~~"(iii) establish a website or other electronic means that small employers and individuals can access and use to obtain information on automatic IRA arrangements (including clear, standardized, easy-to-compare information~~



on fees and expenses and investment returns in a format prescribed by the Secretary) and to obtain notices and forms, and

~~"(iv) establish a process—~~

~~"(I) for the provider of an automatic IRA arrangement to demonstrate to the Secretary that the arrangement is described in this paragraph and meets the requirements specified in paragraph (1)(B), and~~

~~"(II) to certify any arrangement that the Secretary determines so demonstrates, to regularly monitor compliance and update such determinations and certifications, and to list all arrangements so certified on the website described in clause (iii) as appropriate for use by employers and participants.~~

~~The information referred to in clause (iii) shall be provided in a manner designed to assist employers and providers by facilitating the identification by employers of private-sector providers of individual retirement accounts, including the provider's investment options, that are appropriate for use in automatic IRA arrangements.~~

~~"(C) SAFE HARBOR FOR CERTAIN STATE-PROVIDED ARRANGEMENTS.— An arrangement facilitated by an employer shall not fail to be treated as an automatic IRA arrangement merely because such arrangement is provided or otherwise offered, in whole or in part, by a State.~~

~~"(H) INDIVIDUAL RETIREMENT ACCOUNT.— For purposes of this paragraph, the term 'individual retirement account' shall have the meaning given such term by section 408(a), except that such term shall include individual retirement annuities (as defined in section 408(b))."~~

~~(2) OTHER RULES APPLICABLE TO AUTOMATIC IRA ARRANGEMENTS.—~~

~~(A) PENALTY FOR FAILURE TO TIMELY REMIT CONTRIBUTIONS TO AUTOMATIC IRA ARRANGEMENTS.—~~

~~Section 4975(e) is amended by adding at the end the following new paragraph:~~

~~"(7) SPECIAL RULE FOR AUTOMATIC IRA ARRANGEMENTS.— For purposes of paragraph (1), if an employer is required under an automatic IRA arrangement (as defined in section 414(aa)(1)(B)) to deposit amounts withheld from an employee's compensation into an individual retirement account (within the meaning of section 414(aa)(8)(H)) but fails to do so within the time prescribed under section 414(aa)(9)(B)(i), such amounts shall be treated as assets of the individual retirement account."~~

~~(B) WAIVER OF EARLY WITHDRAWAL PENALTY FOR CERTAIN DISTRIBUTIONS FOLLOWING INITIAL ELECTION TO PARTICIPATE IN AUTOMATIC IRA ARRANGEMENT.—~~

~~Section 72(t) is amended by adding at the end the following new paragraph:~~

~~"(11) DISTRIBUTION<sup>(1)</sup> FOLLOWING INITIAL ELECTION TO PARTICIPATE IN AUTOMATIC IRA ARRANGEMENT.— Paragraph (1) shall not apply in the case of a~~

distribution—

~~"(A) to an individual from an individual retirement account (within the meaning of section 414(aa)(8)(H)) that is part of an automatic IRA arrangement (as defined in section 414(aa)(8)(A)); and~~

~~"(B) made not later than 90 days after the initial election under section 414(aa)(8)(A)(ii)."~~

~~(C) AUTOMATIC IRA ADVISORY GROUP.—~~

~~(i) IN GENERAL.— Not later than 90 days after the date of the enactment of this Act, the Secretary of the Treasury shall establish an Automatic IRA Advisory Group (hereinafter in this subparagraph referred to as the "Advisory Group"). The purpose of the Advisory Group shall be to make recommendations, advise, and assist in the Secretary's implementation and administration of paragraphs (5), (6), and (8) of section 414(aa) of the Internal Revenue Code of 1986 with respect to automatic IRA arrangements in the best financial interest of savers, including—~~

~~(I) the procedures and criteria for the periodic certification, website listing, and monitoring of investment options that meet the requirements of those paragraphs;~~

~~(II) user-friendly disclosure regarding investment returns, terms, fees, and expenses to facilitate comparison;~~

~~(III) the use of low-cost investment options;~~

~~(IV) the appropriate use of electronic and paper methods to provide notice and disclosure;~~

~~(V) any possible learnings or efficiencies based on the Secretary's procedures and experience in approving nonbank individual retirement account trustees, and~~

~~(VI) such other related matters as may be determined by the Secretary.~~

~~(ii) MEMBERSHIP.— The Advisory Group shall consist of not more than 15 members and shall be composed of—~~

~~(I) such individuals as the Secretary may consider appropriate to provide expertise regarding the financial needs and challenges of lower- and middle-income households;~~

~~(II) at least one individual who is an expert in retirement-related consumer protections or who represents the general public; and~~

~~(III) at least one representative of the Department of the Treasury.~~

~~(iii) COMPENSATION.— The members of the Advisory Group shall serve without compensation.~~

~~(iv) ADMINISTRATIVE SUPPORT.— The Department of the Treasury shall provide appropriate administrative support to the Advisory Group, including technical assistance. The Advisory Group may use the services and facilities of~~

~~such Department, with or without reimbursement, as determined by such Department.~~

~~(v) REPORT BY ADVISORY GROUP.— Not later than 1 year after the date of the enactment of this Act, the Advisory Group shall submit to the Secretary of the Treasury a report containing its recommendations. The Secretary may request that the Advisory Group submit subsequent reports.~~

~~(b) EXCISE TAX FOR FAILURE TO MAINTAIN OR FACILITATE AUTOMATIC CONTRIBUTION PLANS OR ARRANGEMENTS.—~~

~~(1) IN GENERAL.— Chapter 43 is amended by adding at the end the following new section:~~

~~**"Sec. 4980J. Failure to maintain or facilitate automatic contribution plans or arrangements**~~

~~"(a) GENERAL RULE.—~~

~~"(1) IN GENERAL.— There is hereby imposed a tax on the failure of an employer to maintain or facilitate an automatic contribution plan or arrangement.~~

~~"(2) EXCEPTIONS.—~~

~~"(A) Paragraph (1) shall not apply to an employer to the extent such employer participates in an arrangement under a qualified State law.~~

~~"(B) Paragraph (1) shall not apply to an employer with respect to any employee who is eligible to participate in a different automatic contribution plan or arrangement than one or more other employees of the employer.~~

~~"(b) AMOUNT OF TAX.—~~

~~"(1) IN GENERAL.— The amount of the tax imposed by subsection (a) on any failure with respect to an employee shall be \$10 for each day in the noncompliance period with respect to such failure.~~

~~"(2) NONCOMPLIANCE PERIOD.— For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period—~~

~~"(A) beginning on the date such failure first occurs, and~~

~~"(B) ending on the earlier of—~~

~~"(i) the date such failure is corrected, or~~

~~"(ii) with respect to any employer, the date that is 3 months after the last date on which the employee is required to be eligible to participate in an automatic contribution plan or arrangement maintained or facilitated by such employer.~~

~~"(3) ADJUSTMENT FOR INFLATION.—~~

~~"(A) IN GENERAL.— In the case of any failure relating to maintaining or facilitating a plan or arrangement in a calendar year beginning after 2023, the \$10 amount under paragraph (1) shall be increased by an amount equal to such dollar amount multiplied <sup>(1)</sup> by the cost-of-living adjustment determined under~~

~~section 1(f)(3) for the calendar year determined by substituting 'calendar year 2022' for 'calendar year 2016' in subparagraph (A)(ii) thereof.~~

~~"(B) ROUNDING.— If any amount adjusted under subparagraph (A) is not a whole dollar amount, such amount shall be rounded to the nearest whole dollar amount.~~

~~"(c) LIMITATIONS ON AMOUNT OF TAX.—~~

~~"(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED EXERCISING REASONABLE DILIGENCE.— No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that none of the persons referred to in subsection (c) knew, nor exercising reasonable diligence would have known, that such failure existed.~~

~~"(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 9½ MONTHS.— No tax shall be imposed by subsection (a) on any failure if—~~

~~"(A) such failure was due to reasonable cause and not to willful neglect, and~~

~~"(B) such failure is corrected during the 9½-month period beginning on the first date any of the persons referred to in subsection (c) knew that such failure existed, or exercising reasonable diligence would have known.~~

~~"(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.— In the case of failures which are due to reasonable cause and not to willful neglect—~~

~~"(A) GENERAL RULE.— The tax imposed by subsection (a) for failures during the taxable year of the employer shall not exceed \$500,000.~~

~~"(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.— For purposes of this subparagraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.~~

~~"(4) WAIVER BY SECRETARY.— In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.~~

~~"(d) TAX NOT TO APPLY IN CERTAIN CASES.— This section shall not apply in the case of—~~

~~"(1) any employer with respect to a plan or arrangement that, during the prior calendar year, was maintained or facilitated only by employers each of which had no more than 5 employees receiving at least \$5,000 of compensation from the employer for such year;~~

~~"(2) any employer with respect to a governmental plan (within the meaning of section 414(d));~~

~~"(3) any employer with respect to a church plan (within the meaning of section 414(e)), or~~

~~"(4) any employer that has been in existence for fewer than 2 years, taking into account all predecessor employers.~~

~~"(e) LIABILITY FOR TAX.— The employer shall be liable for the tax imposed by subsection (a) on a failure. All employers, determined without regard to subsection (f)(2), shall be jointly and severally liable for the liability of any other employer with which they are aggregated under subsection (f)(2).~~

~~"(f) DEFINITIONS.— For purposes of this section—~~

~~"(1) AUTOMATIC CONTRIBUTION PLAN OR ARRANGEMENT.— The term 'automatic contribution plan or arrangement' has the meaning given such term under section 414(aa), and~~

~~"(2) EMPLOYER.— The term 'employer' includes all employers treated as a single employer under subsection (b), (c), (m), or (o) of section 414.~~

~~"(3) QUALIFIED STATE LAW.— The term 'qualified State law' means a State law (as it may be amended from time to time) that—~~

~~"(A) was enacted before the date of the enactment of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14, and~~

~~"(B)~~

~~"(i) requires certain employers to facilitate an automatic IRA arrangement pursuant to a payroll deduction savings program of the State, or~~

~~"(ii) allows certain employers to contribute to, or participate in, a plan described in section 413(e) of such Code established and maintained by the State."~~

~~(2) CLERICAL AMENDMENT.— The table of sections for chapter 43 is amended by adding at the end the following new item:~~

~~"Sec. 4980J. Failure to maintain or facilitate automatic contribution plans or arrangements."~~

~~(e) EFFECTIVE DATE.— The amendments made by this section shall apply to plan years beginning after December 31, 2022.~~

**Sec. 131102. Deferral-only arrangements**

~~(a) IN GENERAL.—~~

~~Section 401(k) is amended by adding at the end the following new paragraph:~~

~~"(16) DEFERRAL-ONLY ARRANGEMENT.—~~

~~"(A) IN GENERAL.— A deferral-only arrangement shall be treated as meeting the requirements of paragraph (3)(A)(ii).~~

~~"(B) DEFERRAL-ONLY ARRANGEMENT.— For purposes of this paragraph, the term 'deferral-only arrangement' means any cash or deferred arrangement which meets—~~

~~"(i) the automatic deferral requirements of subparagraph (C);~~

- ~~"(ii) the elective contribution requirement of subparagraph (D), and~~  
~~"(iii) the requirements of subparagraph (E) of paragraph (13):~~

~~"(C) AUTOMATIC DEFERRAL.—~~

~~"(i) IN GENERAL.— The requirements of this subparagraph shall be treated as met if, under the arrangement, each employee eligible to participate in the arrangement is treated as having elected to have the employer make elective contributions in an amount equal to the qualified percentage of compensation.~~

~~"(ii) ELECTION OUT.— The election treated as having been made under clause (i) shall cease to apply with respect to any employee if such employee makes an affirmative election—~~

~~"(I) to not have such contributions made, or~~

~~"(II) to make elective contributions at a level specified in such affirmative election.~~

~~"(iii) QUALIFIED PERCENTAGE.— For purposes of this subparagraph, with respect to any employee, the term 'qualified percentage' means, in lieu of the meaning given such term in paragraph (13)(C)(iii), any percentage determined under the arrangement if such percentage is applied uniformly, does not exceed 15 percent (10 percent during the period described in subclause (I)) and is at least—~~

~~"(I) 6 percent during the period ending on the last day of the first plan year which begins after the date on which the first elective contribution described in clause (i) is made with respect to such employee;~~

~~"(II) 7 percent during the first plan year following the plan year described in subclause (I);~~

~~"(III) 8 percent during the first plan year following the plan year described in subclause (II);~~

~~"(IV) 9 percent during the first plan year following the plan year described in subclause (III), and~~

~~"(V) 10 percent during any subsequent plan year.~~

~~"(D) ELECTIVE CONTRIBUTIONS.—~~

~~"(i) IN GENERAL.— The requirements of this subparagraph are met if under the plan containing the arrangement—~~

~~"(I) the only contributions which may be made are elective contributions of employees who are eligible to participate in the arrangement, and~~

~~"(II) the aggregate amount of such elective contributions which may be made with respect to any employee for any calendar year shall not exceed the amount in effect for the taxable year under section 219(b)(5) (determined without regard to subparagraph (B) thereof).~~

~~"(ii) CROSS REFERENCE.— For catch-up contributions for individuals age 50 or over, see section 414(v)."~~

~~(b) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 AND OVER.—~~~~(1) Section 414(v)(2)(B)(i) is amended by inserting ", 401(k)(16)," after "401(k)(11)".~~~~(2) Section 414(v)(2)(B) is amended by adding at the end thereof the following clause:~~~~"(iii) In the case of an applicable employer plan described in section 401(k)(16), the applicable dollar amount is \$1,000."~~~~(3) Section 414(v)(2)(G) is amended—~~~~(A) by striking "(B)(i) and" and inserting "(B)(i)," and by inserting after "subparagraph (B)(ii)" the following: ", and the \$1,000 amount described in subparagraph (B)(iii)",~~~~(B) inserting after "2005" the following: "(the calendar quarter beginning July 1, 2020, in the case of the \$1,000 amount described in subparagraph (B)(iii))", and~~~~(C) by inserting before the period at the end the following "\$100 in the case of an increase in the amount described in subparagraph (B)(iii) which is not a multiple of \$100)".~~~~(c) PLANS NOT TREATED AS TOP-HEAVY PLANS.— Section 416(g)(4)(H)(i) is amended by striking "or 401(k)(13)" and inserting "401(k)(13), or 401(k)(16)".~~~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to plan years beginning after December 31, 2022.~~**Sec. 131103. Increase in credit limitation for small employer pension plan startup costs including for automatic contribution plan or arrangement**~~(a) YEARS FOR WHICH CREDIT IS ALLOWED.— Section 45E(b)(1) is amended by striking "2 taxable years" and inserting "4 taxable years".~~~~(b) SPECIAL RULE FOR EMPLOYERS WITH 25 OR FEWER EMPLOYEES.— Section 45E(a) is amended by inserting before the period at the end the following: "(100 percent of such costs in the case of an eligible employer with 25 or fewer employees, as determined by substituting '25' for '100' in section 408(p)(2)(C)(i))".~~~~(c) CREDIT NOT TO APPLY TO CERTAIN PLANS OR ARRANGEMENTS.—~~~~(1) NO CREDIT WITH RESPECT TO DEFERRAL-ONLY ARRANGEMENTS.— Section 45E(d)~~~~(2) is amended by inserting "(other than a deferral-only arrangement (as defined in section 401(k)(16)(B)))" before the period at the end.~~~~(2) TERMINATION WITH RESPECT TO PLANS OTHER THAN AUTOMATIC CONTRIBUTION PLANS OR ARRANGEMENTS.— Section 45E is amended by adding at the end the following new subsection:~~~~"(f) CREDIT TERMINATED FOR NON-AUTOMATIC CONTRIBUTION PLANS OR ARRANGEMENTS AFTER 2022.— In the case of taxable years beginning after December 31, 2022, no credit shall be allowed under this section for amounts paid or incurred with respect to an eligible employer plan that is not an automatic contribution plan or arrangement (as defined in section 414(aa))."~~

~~(d) EFFECTIVE DATE.—~~ The amendment made by this section shall apply to taxable years beginning after December 31, 2021.

**~~Sec. 131104. Credit for certain small employer automatic retirement arrangements~~**

~~(a) IN GENERAL.—~~

~~Subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:~~

**~~"Sec. 45U. Credit for certain small employer automatic retirement arrangements~~**

~~"(a) GENERAL RULE.—~~ For purposes of section 38, in the case of an eligible employer, the small employer automatic retirement arrangement credit determined under this section for any taxable year in the credit period is \$500.

~~"(b) DEFINITIONS.—~~ For purposes of this section—

~~"(1) ELIGIBLE EMPLOYER.—~~ The term 'eligible employer' means, with respect to the calendar year in which the taxable year begins, an employer which—

~~"(A)~~

~~"(i) participates in an automatic IRA arrangement (as defined in section 414(aa)(8)), or an arrangement described in 4980J(a)(2)(A), or~~

~~"(ii) maintains a deferral-only arrangement (as defined in section 401(k)(16));~~

~~"(B) is described in 408(p)(2)(C)(i); and~~

~~"(C) did not maintain an eligible employer plan during the portion of the calendar year preceding the commencement of such arrangement, or adoption of such deferral-only arrangement, and the 2 preceding calendar years.~~

~~"(2) CREDIT PERIOD.—~~ The term 'credit period' means the first 4 calendar years beginning after the date of the enactment of this section in which the eligible employer participates in the arrangement or maintains the deferral-only arrangement.

~~"(3) ELIGIBLE EMPLOYER PLAN.—~~ The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d).

~~"(c) OTHER RULES.—~~ For purposes of this section, the rules of section 45E(e) shall apply."

~~(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—~~

~~Section 38(b) of is amended by striking "plus" at the end of paragraph (32), by striking the period at the end of paragraph (33) and inserting ", plus", and by adding at the end the following new paragraph:~~

~~"(34) the small employer automatic retirement arrangement credit determined under section 45U(a)."~~

~~(c) CLERICAL AMENDMENT.—~~

~~The table of sections for subpart D of part IV of subchapter A of chapter 1 is amended by adding at the end the following new item:~~

~~"Sec. 45U. Credit for certain small employer automatic retirement arrangements."~~



(d) ~~EFFECTIVE DATE.~~—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

## Part 2—Saver's Match

### ~~Sec. 131201. Matching payments for elective deferral and IRA contributions by certain individuals~~

~~(a) IN GENERAL.—~~

Subchapter B of chapter 65 is amended by adding at the end the following new section:

### ~~"Sec. 6433. Matching payments for elective deferral and IRA contributions by certain individuals~~

~~"(a) IN GENERAL.—~~

~~"(1) ALLOWANCE OF CREDIT.— Any eligible individual who makes qualified retirement savings contributions for the taxable year shall be allowed a credit for such taxable year in an amount equal to the applicable percentage of so much of the qualified retirement savings contributions made by such eligible individual for the taxable year as does not exceed \$1,000.~~

~~"(2) PAYMENT OF CREDIT.— The credit under this section shall be —~~

~~"(A) treated as allowed by subpart C of part IV of subchapter A of chapter 1, and~~

~~"(B) paid by the Secretary as a contribution (as soon as practicable after the eligible individual has filed a tax return making a claim for such credit for the taxable year) to the applicable retirement savings vehicle of an eligible individual.~~

~~"(b) APPLICABLE PERCENTAGE.— For purposes of this section —~~

~~"(1) IN GENERAL.— Except as provided in paragraph (2), the applicable percentage is 50 percent.~~

~~"(2) PHASEOUT.— The percentage under paragraph (1) shall be reduced (but not below zero) by the number of percentage points which bears the same ratio to 50 percentage points as —~~

~~"(A) the excess of —~~

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

~~"(ii) the applicable dollar amount, bears to~~

~~"(B) the phaseout range.~~

~~If any reduction determined under this paragraph is not a whole percentage point, such reduction shall be rounded to the next lowest whole percentage point.~~

~~"(3) APPLICABLE DOLLAR AMOUNT; PHASEOUT RANGE.—~~

~~"(A) JOINT RETURNS.— Except as provided in subparagraph (B) —~~

~~"(i) the applicable dollar amount is \$50,000, and~~

~~"(ii) the phaseout range is \$20,000.~~

~~"(B) OTHER RETURNS.— In the case of —~~

~~"(i) a head of a household (as defined in section 2(b)), the applicable dollar amount and the phaseout range shall be 3/4 of the amounts applicable under subparagraph (A) (as adjusted under subsection (h)), and~~

~~"(ii) any taxpayer who is not filing a joint return and who is not a head of a household (as so defined), the applicable dollar amount and the phaseout range shall be 1/2 of the amounts applicable under subparagraph (A) (as so adjusted):~~

~~"(4) EXCEPTION; MINIMUM CREDIT.— In the case of an eligible individual with respect to whom (without regard to this paragraph) the credit determined under subsection (a)(1) is greater than zero but less than \$100, the credit allowed under this section shall be \$100.~~

~~"(c) ELIGIBLE INDIVIDUAL.— For purposes of this section—~~

~~"(1) IN GENERAL.— The term 'eligible individual' means any individual if such individual has attained the age of 18 as of the close of the taxable year.~~

~~"(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.— The term 'eligible individual' shall not include—~~

~~"(A) any individual with respect to whom a deduction under section 151 is allowed to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and~~

~~"(B) any individual who is a student (as defined in section 152(f)(2)).~~

~~"(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.— For purposes of this section—~~

~~"(1) IN GENERAL.— The term 'qualified retirement savings contributions' means, with respect to any taxable year, the sum of—~~

~~"(A) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual;~~

~~"(B) the amount of—~~

~~"(i) any elective deferrals (as defined in section 402(g)(3)) of such individual; and~~

~~"(ii) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A);~~

~~"(C) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4074(e)), and~~

~~"(D) the amount of contributions made by such individual to the ABLE account (within the meaning of section 529A) of which such individual is the designated beneficiary.~~

~~Such term shall not include any amount attributable to a payment under subsection (a)(2).~~

~~"(2) REDUCTION FOR CERTAIN DISTRIBUTIONS.—~~

~~"(A) IN GENERAL.— The <sup>(1)</sup>qualified retirement savings contributions determined under paragraph (1) for a taxable year shall be reduced (but not below zero) by the~~

~~aggregate distributions received by the individual during the testing period from any entity of a type to which contributions under paragraph (1) may be made.~~

~~"(B) TESTING PERIOD.— For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—~~

~~"(i) such taxable year,~~

~~"(ii) the 2 preceding taxable years, and~~

~~"(iii) the period after such taxable year and before the due date (including extensions) for filing the return of tax for such taxable year.~~

~~"(C) EXCEPTED DISTRIBUTIONS.— There shall not be taken into account under subparagraph (A)—~~

~~"(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4);~~

~~"(ii) any distribution to which section 408(d)(3) or 408A(d)(3) applies;~~

~~"(iii) any portion of a distribution if such portion is transferred or paid in a rollover contribution (as defined in section 402(e), 403(a)(4), 403(b)(8), 408A(e), or 457(e)(16)) to an account or plan to which qualified retirement contributions can be made, and~~

~~"(iv) the amount of distributions under a qualified ABLE program (within the meaning of section 529A) that is equal to amounts not included in gross income with respect to such distributions under section 529A(e)(1)(B) (relating to distributions for qualified disability expenses).~~

~~"(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.— For purposes of determining distributions received by an individual under subparagraph (A) for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.~~

~~"(e) APPLICABLE RETIREMENT SAVINGS VEHICLE.—~~

~~"(1) IN GENERAL.— The term 'applicable retirement savings vehicle' means an account or plan elected by the eligible individual under paragraph (2).~~

~~"(2) ELECTION.— Any such election to have contributed the amount determined under subsection (a) shall be to an account or plan which—~~

~~"(A) is a Roth IRA or a designated Roth account (within the meaning of section 402A) of an applicable retirement plan (as defined in section 402A(e)(1));~~

~~"(B) is for the benefit of the eligible individual;~~

~~"(C) accepts contributions made under this section, and~~

~~"(D) is designated by such individual (in such form and manner as the Secretary may provide);~~

~~"(f) OTHER DEFINITIONS AND SPECIAL RULES.—~~

~~"(1) MODIFIED ADJUSTED GROSS INCOME.— For purposes of this section, the term 'modified adjusted gross income' means adjusted gross income—~~

~~"(A) determined without regard to sections 911, 931, and 933, and~~

~~"(B) determined without regard to any exclusion or deduction allowed for any qualified retirement savings contribution made during the taxable year.~~

~~"(2) TREATMENT OF CONTRIBUTIONS.— In the case of any contribution under subsection (a)(2)—~~

~~"(A) except as otherwise provided in this section or by the Secretary under regulations, such contribution shall be treated as—~~

~~"(i) an elective deferral made by the individual which is a designated Roth contribution, if contributed to an applicable retirement plan, or~~

~~"(ii) as a Roth IRA contribution made by such individual, if contributed to a Roth IRA, and~~

~~"(B) such contribution shall not be taken into account with respect to any applicable limitation under sections 402(g)(1), 403(b), 408(a)(1), 408(b)(2)(B), 408A(c)(2), 414(v)(2), 415(c), or 457(b)(2), and shall be disregarded for purposes of sections 401(a)(4), 401(k)(3), 401(k)(11)(B)(i)(III), and 416.~~

~~"(3) TREATMENT OF QUALIFIED PLANS, ETC.— A plan or arrangement to which a contribution is made under this section shall not be treated as violating any requirement under section 401, 403, 408A, or 457 solely by reason of accepting such contribution.~~

~~"(4) ERRONEOUS CREDITS.—~~

~~"(A) IN GENERAL.— If any contribution is erroneously paid under subsection (a)(2), including a payment that is not made to an applicable retirement savings vehicle, the amount of such erroneous payment shall be treated as an underpayment of tax (other than for purposes of part II of subchapter A of chapter 68) for the taxable year in which the Secretary determines the payment is erroneous.~~

~~"(B) DISTRIBUTION OF ERRONEOUS CREDITS.— In the case of a contribution to which subparagraph (A) applies—~~

~~"(i) section 72 shall not apply to the distribution of such contribution (and any income attributable thereto) if such distribution is received not later than the day prescribed by law (including extensions of time) for filing the individual's return for such taxable year, and~~

~~"(ii) any plan or arrangement from which such a distribution is made under this subparagraph shall not be treated as violating any requirement under section 401, 403, 408A, or 457 solely by reason of making such distribution.~~

~~"(g) PROVISION BY SECRETARY OF INFORMATION RELATING TO CONTRIBUTIONS.— In the case of an amount elected by an eligible individual to be contributed to an account or plan under subsection (c)(2), the Secretary shall provide guidance to the custodian of the account or the plan sponsor, as the case may be, detailing the treatment of such contribution under subsection (c)(2) and the reporting requirements with respect to such contribution under~~

section 131201(c)(2) of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14.

~~"(h) INFLATION ADJUSTMENTS.—~~

~~"(1) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2020, each of the dollar amounts in subsections (a)(1) and (b)(3)(A)(i) shall be increased by an amount equal to—~~

~~"(A) such dollar amount, multiplied by~~

~~"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2019' for 'calendar year 2016' in subparagraph (A)(ii) thereof.~~

~~"(2) ROUNDING.—Any increase determined under paragraph (1) shall be rounded to the nearest multiple of—~~

~~"(A) \$100 in the case of an adjustment of the amount in subsection (a)(1), and~~

~~"(B) \$1,000 in the case of an adjustment of the amount in subsection (b)(3)(A)(i)."~~

~~(b) TREATMENT OF CERTAIN POSSESSIONS.—~~

~~(1) PAYMENTS TO POSSESSIONS WITH MIRROR CODE TAX SYSTEMS.—The Secretary of the Treasury shall pay to each possession of the United States which has a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the amendments made by this section. Such amounts shall be determined by the Secretary of the Treasury based on information provided by the government of the respective possession.~~

~~(2) PAYMENTS TO OTHER POSSESSIONS.—The Secretary of the Treasury shall pay to each possession of the United States which does not have a mirror code tax system amounts estimated by the Secretary of the Treasury as being equal to the aggregate benefits (if any) that would have been provided to residents of such possession by reason of the amendments made by this section if a mirror code tax system had been in effect in such possession. The preceding sentence shall not apply unless the respective possession has a plan, which has been approved by the Secretary of the Treasury, under which such possession will promptly distribute such payments to its residents.~~

~~(3) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—No credit shall be allowed against United States income taxes under section 6433 of the Internal Revenue Code of 1986 (as added by this section) to any person—~~

~~(A) to whom a credit is allowed against taxes imposed by the possession by reason of the amendments made by this section, or~~

~~(B) who is eligible for a payment under a plan described in paragraph (2).~~

~~(4) MIRROR CODE TAX SYSTEM.—For purposes of this subsection, the term "mirror code tax system" means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the income tax laws of the United States as if such possession were the United States.~~

~~(5) TREATMENT OF PAYMENTS.— For purposes of section 1324 of title 31, United States Code, the payments under this subsection shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.~~

~~(c) ADMINISTRATIVE PROVISIONS.—~~

~~(1) DEFICIENCIES.— Section 6211(b)(4) is amended by striking "and 7527A" and inserting "7527A, and 6433".~~

~~(2) REPORTING.— The Secretary of the Treasury shall—~~

~~(A) amend Form 5500 to require separate reporting of the aggregate amount of contributions received by the plan during the year under section 6433 of the Internal Revenue Code of 1986 (as added by this section); and~~

~~(B) amend Form 5498 to require similar reporting with respect to individual retirement accounts (as defined in section 408 of such Code) and individual retirement annuities (as defined in section 408(b) of such Code).~~

~~(d) PAYMENT AUTHORITY.— Section 1324(b)(2) of title 31, United States Code, is amended by striking "or 7527A" and inserting "7527A, or 6433".~~

~~(e) CONFORMING AMENDMENTS.—~~

~~(1) Section 25B is amended by striking subsections (a) through (f) and inserting the following: For payment of credit related to qualified retirement savings contributions, see section 6433.~~

~~(2) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:~~

~~"Sec. 6433. Matching payments for elective deferral and IRA contributions by certain individuals."~~

~~(f) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2024.~~

**Sec. 131202. Deadline to fund IRA with tax refund**

~~(a) IN GENERAL.— Section 219(f)(3) is amended—~~

~~(1) by striking "is made not later than" and inserting is made—~~

~~"(i) not later than";~~

~~(2) by striking the period at the end and inserting ", or", and~~

~~(3) by adding at the end the following new clause:~~

~~"(ii) by direct deposit by the Secretary pursuant to an election on the return for such taxable year to contribute all or a portion of any amount owed to the taxpayer to an individual retirement account of the taxpayer, but only if the return is filed not later than the date described in clause (i)."~~

~~(1) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2022.~~

\* ~~Sec. 136001. Amendment of 1986 Code~~

~~Except as otherwise expressly provided, whenever in this subtitle an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.~~

\* ~~Sec. 136104. Elective payment for energy property and electricity produced from certain renewable resources, etc~~

~~(a) IN GENERAL.—~~

~~Subchapter B of chapter 65 is amended by inserting after section 6416 the following new section:~~

~~"Sec. 6417. Elective payment of applicable credits~~

~~"(a) IN GENERAL.— In the case of a taxpayer making an election (at such time and in such manner as the Secretary may provide) under this section with respect to any applicable credit determined with respect to such taxpayer, such taxpayer shall be treated as making a payment against the tax imposed by subtitle A (for the taxable year with respect to which such credit was determined) equal to the amount of such credit.~~

~~"(b) APPLICABLE CREDIT.— The term 'applicable credit' means each of the following:~~

~~"(1) The renewable electricity production credit determined under section 45.~~

~~"(2) The energy credit determined under section 48.~~

~~"(3) The credit for carbon oxide sequestration determined under section 45Q.~~

~~"(4) The credit for alternative fuel vehicle refueling property allowed under section 30C.~~

~~"(5) The qualifying advanced energy project credit determined under section 48C.~~

~~"(c) SPECIAL RULES.— For purposes of this section—~~

~~"(1) APPLICATION TO TAX-EXEMPT AND GOVERNMENTAL ENTITIES.— In the case of any organization exempt from the tax imposed by subtitle A, any State or local government (or political subdivision thereof), or any Indian tribal government (within the meaning of section 139E), which makes the election described in subsection (a), any applicable credit shall be determined—~~

~~"(A) without regard to paragraphs (3) and (4)(A)(i) of section 50(b), and~~

~~"(B) by treating any property with respect to which such credit is determined as used in a trade or business of the taxpayer.~~

~~"(2) APPLICATION TO PARTNERSHIPS AND S CORPORATIONS.—~~

~~"(A) IN GENERAL.— In the case of any applicable credit determined with respect to any qualified resources, qualified facility, or energy property held directly by a partnership or S corporation, if such partnership or S corporation makes an election under this subsection (in such manner as the Secretary may provide) with respect to such credit—~~

~~(i)~~

~~"(i) the Secretary shall make a payment to such partnership or S corporation equal to the amount of such credit,~~

~~"(ii) subsection (d) shall be applied with respect to such credit before determining any partner's distributive share, or shareholder's pro rata share, of such credit;~~

~~"(iii) any amount with respect to which the election in subsection (a) is made shall be treated as tax exempt income for purposes of sections 705 and 1366; and~~

~~"(iv) a partner's distributive share of such tax exempt income shall be based on such partner's distributive share of the otherwise applicable credit for each taxable year.~~

~~"(B) COORDINATION WITH APPLICATION AT PARTNER OR SHAREHOLDER LEVEL.— In the case of any partnership or S corporation, subsection (a) shall be applied at the partner or shareholder level after application of paragraph (2)(A)(ii).~~

~~"(3) IRREVOCABLE ELECTION.— Any election under this subsection shall be made not later than the due date (including extensions of time) for the return of tax for the taxable year for which the applicable credit is determined, but in no event earlier than 180 days after the date of the enactment of this section. Any such election, once made, shall be irrevocable.~~

~~"(4) TIMING.— The payment described in subsection (a) shall be treated as made on~~

~~"(A) in the case of any government, or political subdivision, described in paragraph (1) and for which no return is required under section 6041 or 6033(a), the later of the date that a return would be due under section 6033(a) if such government or subdivision were described in that section or the date on which such government or subdivision submits a claim for credit or refund (at such time and in such manner as the Secretary shall provide), and~~

~~"(B) in any other case, the later of the due date of the return of tax for the taxable year or the date on which such return is filed.~~

~~"(5) TREATMENT OF PAYMENTS TO PARTNERSHIPS AND S CORPORATIONS.— For purposes of section 1324 of title 31, United States Code, the payments under subparagraph (A)(ii) of paragraph (2) shall be treated in the same manner as a refund due from a credit provision referred to in subparagraph (B) of such paragraph.~~

~~"(6) ADDITIONAL INFORMATION.— As a condition of, and prior to, a payment under this section, the Secretary may require such information or registration as the Secretary deems necessary or appropriate for purposes of preventing duplication, fraud, improper payments, or excessive payments under this section.~~

~~"(7) EXCESSIVE PAYMENT.—~~

~~"(A) IN GENERAL.— In the case of a payment made to a taxpayer under this subsection or any amount treated as a payment which is made by the taxpayer under subsection (a) which the Secretary determines constitutes an excessive payment, the tax imposed on such taxpayer by chapter 1 for the taxable year in which such determination is made shall be increased by an amount equal to the sum of—~~



~~"(i) the amount of such excessive payment, plus~~

~~"(ii) an amount equal to 20 percent of such excessive payment.~~

~~"(B) REASONABLE CAUSE.— Subparagraph (A)(ii) shall not apply if the taxpayer demonstrates to the satisfaction of the Secretary that the excessive payment resulted from reasonable cause.~~

~~"(C) EXCESSIVE PAYMENT DEFINED.— For purposes of this paragraph, the term 'excessive payment' means, with respect to a facility for which an election is made under this section for any taxable year, an amount equal to the excess of—~~

~~"(i) the amount of the payment made to the taxpayer under this subsection with respect to such facility for such taxable year, over~~

~~"(ii) the amount of the credit which, without application of this subsection, would be otherwise allowable under this section with respect to such facility for such taxable year.~~

~~"(d) DENIAL OF DOUBLE BENEFIT.— In the case of a taxpayer making an election under this section with respect to an applicable credit, such credit shall be reduced to zero and such taxpayer shall be deemed to have taken such credit.~~

~~"(e) MIRROR CODE POSSESSIONS.— In the case of any possession of the United States with a mirror code tax system (as defined in section 24(k)), this section shall not be treated as part of the income tax laws of the United States for purposes of determining the income tax law of such possession unless such possession elects to have this section be so treated.~~

~~"(f) BASIS REDUCTION AND RECAPTURE.— Rules similar to the rules of subsections (a) and (c) of section 50 shall apply for purposes of this section.~~

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

~~"(1) regulations or other guidance providing rules for determining a partner's distributive share of the tax exempt income described in subsection (c)(2)(A)(iii), and~~

~~"(2) guidance to ensure that the amount of the payment or deemed payment made under this section is commensurate with the amount of the credit that would be otherwise allowable.".~~

~~(b) CLERICAL AMENDMENT.—~~

~~The table of sections for subchapter B of chapter 65 is amended by inserting after the item relating to section 6416 the following new item:~~

~~"Sec. 6417. Elective payment of applicable credits.".~~

~~(e) IN GENERAL.— The amendments made by this section shall apply to property placed in service after the December 31, 2021.~~

**\* Sec. 135102. Advance refunding bonds**

~~(a) IN GENERAL.— Section 149(d) is amended—~~

~~(1) by striking "to advance refund another bond." in paragraph (1) and inserting "as part of an issue described in paragraph (2), (3), or (4).";~~

~~(2) by redesignating paragraphs (2) and (3) as paragraphs (5) and (7), respectively;~~  
~~(3) by inserting after paragraph (1) the following new paragraphs:~~

~~"(2) CERTAIN PRIVATE ACTIVITY BONDS.— An issue is described in this paragraph if any bond (issued as part of such issue) is issued to advance refund a private activity bond (other than a qualified 501(c)(3) bond):~~

~~"(3) OTHER BONDS.—~~

~~"(A) IN GENERAL.— An issue is described in this paragraph if any bond (issued as part of such issue), hereinafter in this paragraph referred to as the 'refunding bond', is issued to advance refund a bond unless—~~

~~"(i) the refunding bond is only—~~

~~"(I) the first advance refunding of the original bond if the original bond is issued after 1985, or~~

~~"(II) the first or second advance refunding of the original bond if the original bond was issued before 1986;~~

~~"(ii) in the case of refunded bonds issued before 1986, the refunded bond is redeemed not later than the earliest date on which such bond may be redeemed at par or at a premium of 3 percent or less;~~

~~"(iii) in the case of refunded bonds issued after 1985, the refunded bond is redeemed not later than the earliest date on which such bond may be redeemed;~~

~~"(iv) the initial temporary period under section 148(c) ends—~~

~~"(I) with respect to the proceeds of the refunding bond not later than 30 days after the date of issue of such bond, and~~

~~"(II) with respect to the proceeds of the refunded bond on the date of issue of the refunding bond, and~~

~~"(v) in the case of refunded bonds to which section 148(e) did not apply; on and after the date of issue of the refunding bond, the amount of proceeds of the refunded bond invested in higher yielding investments (as defined in section 148(b)) which are nonpurpose investments (as defined in section 148(f)(6)(A)) does not exceed—~~

~~"(I) the amount so invested as part of a reasonably required reserve or replacement fund or during an allowable temporary period; and~~

~~"(II) the amount which is equal to the lesser of 5 percent of the proceeds of the issue of which the refunded bond is a part or \$100,000 (to the extent such amount is allocable to the refunded bond):~~

~~"(B) SPECIAL RULES FOR REDEMPTIONS.—~~

~~"(i) ISSUER MUST REDEEM ONLY IF DEBT SERVICE SAVINGS.— Clause (ii) and (iii) of subparagraph (A) shall apply only if the issuer may realize present value debt service savings (determined without regard to~~

administrative expenses) in connection with the issue of which the refunding bond is a part.

~~"(ii) REDEMPTIONS NOT REQUIRED BEFORE 90TH DAY.— For purposes of clauses (ii) and (iii) of subparagraph (A), the earliest date referred to in such clauses shall not be earlier than the 90th day after the date of issuance of the refunding bond.~~

~~"(4) ABUSIVE TRANSACTIONS PROHIBITED.— An issue is described in this paragraph if any bond (issued as part of such issue) is issued to advance refund another bond and a device is employed in connection with the issuance of such issue to obtain a material financial advantage (based on arbitrage) apart from savings attributable to lower interest rates." and~~

~~(4) by inserting after paragraph (5) (as so redesignated) the following new paragraph:~~

~~"(6) SPECIAL RULES FOR PURPOSES OF PARAGRAPH (3).— For purposes of paragraph (3), bonds issued before October 22, 1986, shall be taken into account under subparagraph (A)(i) thereof except—~~

~~"(A) a refunding which occurred before 1986 shall be treated as an advance refunding only if the refunding bond was issued more than 180 days before the redemption of the refunded bond, and~~

~~"(B) a bond issued before 1986, shall be treated as advance refunded no more than once before March 15, 1986."~~

~~(b) CONFORMING AMENDMENT.—~~

~~Section 148(f)(4)(C) is amended by redesignating clauses (xiv) through (xvi) as clauses (xv) to (xvii), respectively, and by inserting after clause (xiii) the following new clause:~~

~~"(xiv) DETERMINATION OF INITIAL TEMPORARY PERIOD.— For purposes of this subparagraph, the end of the initial section temporary period shall be determined without regard to section 149(d)(3)(A)(iv)."~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to advance refunding bonds issued more than 30 days after the date of the enactment of this Act.~~

**\* Sec. 135103. Permanent modification of small issuer exception to tax-exempt interest expense allocation rules for financial institutions**

~~(a) PERMANENT INCREASE IN LIMITATION.— Subparagraphs (C)(i), (D)(i), and (D)(iii)(II) of section 265(b)(3) are each amended by striking "\$10,000,000" and inserting "\$30,000,000".~~

~~(b) PERMANENT MODIFICATION OF OTHER SPECIAL RULES.— Section 265(b)(3) is amended~~

~~(1) by redesignating clauses (iv), (v), and (vi) of subparagraph (C) as clauses (ii), (iii), and (iv), respectively, and moving such clauses to the end of subparagraph (H) (as added by paragraph (2)), and~~

~~(2) by striking so much of subparagraph (C) as precedes such clauses and inserting the following:~~

~~(I)~~

~~"(G) QUALIFIED 501(c)(3) BONDS TREATED AS ISSUED BY EXEMPT ORGANIZATION:— In the case of a qualified 501(c)(3) bond (as defined in section 145), this paragraph shall be applied by treating the 501(c)(3) organization for whose benefit such bond was issued as the issuer.~~

~~"(H) SPECIAL RULE FOR QUALIFIED FINANCINGS.—~~

~~"(i) IN GENERAL.— In the case of a qualified financing issue—~~

~~"(I) subparagraph (F) shall not apply, and~~

~~"(II) any obligation issued as a part of such issue shall be treated as a qualified tax-exempt obligation if the requirements of this paragraph are met with respect to each qualified portion of the issue (determined by treating each qualified portion as a separate issue which is issued by the qualified borrower with respect to which such portion relates)."~~

~~(c) INFLATION ADJUSTMENT.—~~

~~Section 265(b)(3), as amended by subsection (b), is amended by adding at the end the following new subparagraph:~~

~~"(I) INFLATION ADJUSTMENT.— In the case of any calendar year after 2021, the \$30,000,000 amounts contained in subparagraphs (C)(i), (D)(i), and (D)(iii)(II) shall each be increased by an amount equal to—~~

~~"(i) such dollar amount, multiplied by~~

~~"(ii) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.~~

~~Any increase determined under the preceding sentence shall be rounded to the nearest multiple of \$100,000."~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.~~

**\* Sec. 135104. Modifications to qualified small issue bonds**

~~(a) MANUFACTURING FACILITIES TO INCLUDE PRODUCTION OF INTANGIBLE PROPERTY AND FUNCTIONALLY RELATED FACILITIES.—~~

~~Subparagraph (C) of section 144(a)(12) is amended to read as follows:~~

~~"(C) MANUFACTURING FACILITY.— For purposes of this paragraph—~~

~~"(i) IN GENERAL.— The term 'manufacturing facility' means any facility which—~~

~~"(I) is used in the manufacturing or production of tangible personal property (including the processing resulting in a change in the condition of such property);~~

~~"(II) is used in the creation or production of intangible property which is described in section 197(d)(1)(C)(iii), or~~

~~"(III) is functionally related and subordinate to a facility described in subclause (I) or (II) if such facility is located on the same site as the facility described in subclause (I) or (II);~~

~~"(ii) CERTAIN FACILITIES INCLUDED.— The term 'manufacturing facility' includes facilities that are directly related and ancillary to a manufacturing facility (determined without regard to this clause) if—~~

~~"(I) those facilities are located on the same site as the manufacturing facility, and~~

~~"(II) not more than 25 percent of the net proceeds of the issue are used to provide those facilities.~~

~~"(iii) LIMITATION ON OFFICE SPACE.— A rule similar to the rule of section 142(b)(2) shall apply for purposes of clause (i):~~

~~"(iv) LIMITATION ON REFUNDINGS FOR CERTAIN PROPERTY.— Subclauses (II) and (III) of clause (i) shall not apply to any bond issued on or before the date of the enactment of the Act to provide for reconciliation pursuant to title II of S. Con. Res. 14, or to any bond issued to refund a bond issued on or before such date (other than a bond to which clause (iii) of this subparagraph (as in effect before the date of the enactment of such Act) applies), either directly or in a series of refundings."~~

~~(b) INCREASE IN LIMITATIONS.— Section 144(a)(4) is amended—~~

~~(1) in subparagraph (A)(i), by striking "\$10,000,000" and inserting "\$30,000,000", and~~

~~(2) in the heading, by striking "\$10,000,000" and inserting "\$30,000,000".~~

~~(c) ADJUSTMENT FOR INFLATION.—~~

~~Section 144(a)(4) is amended by adding at the end the following new subparagraph:~~

~~"(H) ADJUSTMENT FOR INFLATION.— In the case of any calendar year after 2021, the \$30,000,000 amount in subparagraph (A) shall be increased by an amount equal to—~~

~~"(i) such dollar amount, multiplied by~~

~~"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.~~

~~If any amount as increased under the preceding sentence is not a multiple of \$100,000, such amount shall be rounded to the nearest multiple of \$100,000."~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to obligations issued after the date of the enactment of this Act.~~

**\* Sec. 135105. Expansion of certain exceptions to the private activity bond rules for first-time farmers**

~~(a) INCREASE IN DOLLAR LIMITATION.—~~

~~(1) IN GENERAL.— Section 147(c)(2)(A) is amended by striking "\$450,000" and inserting "\$552,500".~~

~~(2) REPEAL OF SEPARATE LOWER DOLLAR LIMITATION ON USED FARM EQUIPMENT.— Section 147(c)(2) is amended (by striking subparagraph (F) and by redesignating subparagraphs (G) and (H) as subparagraphs (F) and (G), respectively.~~

~~(3) QUALIFIED SMALL ISSUE BOND LIMITATION CONFORMED TO INCREASED DOLLAR LIMITATION.— Section 144(a)(11)(A) is amended by striking "\$250,000" and inserting "\$552,500".~~

~~(4) INFLATION ADJUSTMENT.—~~

~~(A) IN GENERAL.— Section 147(c)(2)(G), as redesignated by paragraph (2), is amended—~~

~~(i) by striking "after 2008, the dollar amount in subparagraph (A) shall be increased" and inserting "after 2021, the dollar amounts in subparagraph (A) and section 144(a)(11)(A) shall each be increased"; and~~

~~(ii) in clause (ii), by striking "2007" and inserting "2020".~~

~~(B) CROSS-REFERENCE.—~~

~~Section 144(a)(11) is amended by adding at the end the following new subparagraph:~~

~~"(D) INFLATION ADJUSTMENT.— For inflation adjustment of dollar amount contained in subparagraph (A), see section 147(c)(2)(G)."~~

~~(b) SUBSTANTIAL FARMLAND DETERMINED ON BASIS OF AVERAGE RATHER THAN MEDIAN FARM SIZE.— Section 147(c)(2)(E) is amended by striking "median" and inserting "average".~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to bonds issued after the date of the enactment of this Act.~~

~~\* **Sec. 135106. Certain water and sewage facility bonds exempt from volume cap on private activity bonds**~~

~~(a) IN GENERAL.—~~

~~Section 146(g) is amended by striking "and" at the end of paragraph (3), striking the period at the end of paragraph (4) and inserting ", and", and inserting after paragraph (4) the following new paragraph:~~

~~"(5) any exempt facility bond issued as part of an issue described in paragraph (4) or (5) of section 142(a) if 95 percent or more of the net proceeds of such issue are to be used to provide facilities which—~~

~~"(A) will be used—~~

~~(i) by a person who was, as of July 1, 2020, engaged in operation of a facility described in such paragraph, and~~

~~(ii) to provide service within the area served by such person on such date (or within a county or city any portion of which is within such area), or~~

~~"(B) will be used by a successor in interest to such person for the same use and within the same service area as described in subparagraph (A)."~~

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

~~\* **Sec. 135107. Exempt facility bonds for zero-emission vehicle infrastructure**~~

~~(a) IN GENERAL.— Section 142 is amended—~~

~~(1) in subsection (a)—~~

~~(A) in paragraph (14), by striking "or" at the end;~~

~~(B) in paragraph (15), by striking the period at the end and inserting ", or", and~~

~~(C) by adding at the end the following new paragraph:~~

~~"(16) zero-emission vehicle infrastructure.", and~~

~~(2) by adding at the end the following new subsection:~~

~~"(n) ZERO-EMISSION VEHICLE INFRASTRUCTURE.—~~

~~"(1) IN GENERAL.— For purposes of subsection (a)(16), the term 'zero-emission vehicle infrastructure' means any property (not including a building and its structural components) if such property is part of a unit which—~~

~~"(A) is used to charge or fuel zero-emissions vehicles;~~

~~"(B) is located where the vehicles are charged or fueled;~~

~~"(C) is of a character subject to the allowance for depreciation (or amortization in lieu of depreciation);~~

~~"(D) is made available for use by members of the general public;~~

~~"(E) accepts payment via a credit card reader, including a credit card reader that uses contactless technology; and~~

~~"(F) is capable of charging or fueling vehicles produced by more than one manufacturer (within the meaning of section 30D(d)(3)).~~

~~"(2) INCLUSION OF UTILITY SERVICE CONNECTIONS, ETC.— The term 'zero-emission vehicle infrastructure' shall include any utility service connections, utility panel upgrades, line extensions and conduit, transformer upgrades, or similar property, in connection with property meeting the requirements of paragraph (1).~~

~~"(3) ZERO-EMISSIONS VEHICLE.— The term 'zero-emissions vehicle' means—~~

~~"(A) a zero-emission vehicle as defined in section 88.102-94 of title 40, Code of Federal Regulations; or~~

~~"(B) a vehicle that produces zero exhaust emissions of any criteria pollutant (or precursor pollutant) or greenhouse gas under any possible operational modes and conditions.~~

~~"(4) ZERO-EMISSIONS VEHICLE INFRASTRUCTURE LOCATED WITHIN OTHER FACILITIES OR PROJECTS.— For purposes of subsection (a), any zero-emission vehicle infrastructure located within—~~

~~"(A) a facility or project described in subsection (a); or~~

~~"(B) an area adjacent to a facility or project described in subsection (a) that primarily serves vehicles traveling to or from such facility or project;~~

~~shall be treated as described in the paragraph in which such facility or project is described.~~

~~"(5) EXCEPTION FOR (I) REFUELING PROPERTY FOR FLEET VEHICLES.— Subparagraphs (D), (E), and (F) of paragraph (1) shall not apply to property which is~~

~~part of a unit which is used exclusively by fleets of commercial or governmental vehicles."~~

~~(b) EFFECTIVE DATE.— The amendments made by this section shall apply to obligations issued after December 31, 2021.~~

~~\* **Sec. 135108. Application of Davis-Bacon Act requirements with respect to certain exempt facility bonds**~~

~~(a) IN GENERAL.—~~

~~Section 142(b) is amended by adding at the end the following new paragraph:~~

~~"(3) APPLICATION OF DAVIS-BACON ACT REQUIREMENTS WITH RESPECT TO CERTAIN EXEMPT FACILITY BONDS.— If any proceeds of any issue are used for construction, alteration, or repair of any facility otherwise described in paragraph (4), (5), (15), or (16) of subsection (a), such facility shall be treated for purposes of subsection (a) as described in such paragraph only if each entity that receives such proceeds to conduct such construction, alteration, or repair agrees to comply with the provisions of subchapter IV of chapter 31 of title 40, United States Code with respect to such construction, alteration, or repair."~~

~~(b) EFFECTIVE DATE.— The amendment made by this section shall apply to bonds issued after the date of the enactment of this Act.~~

~~\* **Sec. 135111. Credit for operations and maintenance costs of government-owned broadband**~~

~~(a) IN GENERAL.—~~

~~Subchapter B of chapter 65, as amended by the preceding provisions of this Act, is amended by inserting before section 6432 the following new section:~~

~~**"Sec. 6431B. Credit for operations and maintenance costs of government-owned broadband**~~

~~"(a) IN GENERAL.— In the case of any eligible governmental entity, there shall be allowed a credit equal to the applicable percentage of the qualified broadband expenses paid or incurred by such entity during the taxable year which credit shall be payable by the Secretary as provided in subsection (b):~~

~~"(b) PAYMENT OF CREDIT.— Upon receipt from an eligible governmental entity of such information as the Secretary may require for purposes of carrying out this section, the Secretary shall pay to such entity the amount of the credit determined under subsection (a) for the taxable year:~~

~~"(c) LIMITATION.— The amount of qualified broadband expenses taken into account under this section for any taxable year with respect to any qualified broadband network shall not exceed the product of \$400 multiplied by the number of qualified households subscribed to the qualified broadband service provided by such network (determined as of any time during such taxable year):~~

~~"(d) DEFINITIONS.—<sup>(1)</sup> For purposes of this section—~~

~~"(1) APPLICABLE PERCENTAGE.— The term 'applicable percentage' means—~~



~~"(A) in the case of any taxable year beginning in 2021 through 2026, 30 percent,~~

~~"(B) in the case of any taxable year beginning in 2027, 26 percent, and~~

~~"(C) in the case of any taxable year beginning in 2028, 24 percent.~~

~~"(2) ELIGIBLE GOVERNMENTAL ENTITY.— The term 'eligible governmental entity' means—~~

~~"(A) any State, local, or Indian tribal government,~~

~~"(B) any political subdivision or instrumentality of any government described in subparagraph (A), and~~

~~"(C) any entity wholly owned by one or more entities described in subparagraph (A) or (B).~~

~~For purposes of this paragraph, the term 'State' includes any possession of the United States.~~

~~"(3) QUALIFIED BROADBAND EXPENSES.— The term 'qualified broadband expenses' means so much of the amounts paid or incurred for the operation and maintenance of a qualified broadband network as are properly allocable to qualified households subscribed to the qualified broadband service provided by such network.~~

~~"(4) QUALIFIED HOUSEHOLD.— The term 'qualified household' means a personal residence which—~~

~~"(A) is located in a low-income community (as defined in section 45D(e)), and~~

~~"(B) did not have access to qualified broadband service from the eligible governmental entity (determined as of the beginning of the taxable year of such entity).~~

~~"(5) QUALIFIED BROADBAND NETWORK.— The term 'qualified broadband network' means property owned by an eligible governmental entity and used for the purpose of providing qualified broadband service.~~

~~"(6) QUALIFIED BROADBAND SERVICE.— The term 'qualified broadband service' means fixed, terrestrial broadband service providing downloads at a speed of at least 25 megabits per second and uploads at a speed of at least 3 megabits per second.~~

~~"(7) TAXABLE YEAR.— Except as otherwise provided by the Secretary, the term 'taxable year' means, with respect to any eligible governmental entity, the fiscal year of such entity.~~

~~"(e) SPECIAL RULES.—~~

~~"(1) ALLOCATIONS.— For purposes of subsection (d)(3), amounts shall be treated as properly allocated if allocated ratably among the subscribers of the qualified broadband service.~~

~~"(2) DENIAL OF DOUBLE BENEFIT.— Qualified broadband expenses shall not include any amount which is paid or reimbursed (directly or indirectly) by any grant from the Federal Government.~~

~~"(f) REGULATIONS.— The Secretary<sup>(1)</sup> may prescribe such regulations and other guidance as may be necessary or appropriate to carry out this section.~~

~~"(g) TERMINATION.— No credit shall be allowed under this section for any taxable year beginning after December 31, 2028."~~

~~(b) PAYMENTS MADE UNDER SECTION 6431B(B) OF INTERNAL REVENUE CODE OF 1986.— Section 255(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 905(h)) is amended by inserting: "Payments made under section 6431B(b) of the Internal Revenue Code of 1986" after the item related to Payments for Foster Care and Permanency.~~

~~(c) CONFORMING AMENDMENTS.—~~

~~(1) Section 1324(b)(2) of title 31, United States Code, as amended by the preceding provisions of this Act, is amended by striking "or 6431A" and inserting "6431A, or 6431B".~~

~~(2) The table of sections for subchapter B of chapter 65, as amended by the preceding provisions of this Act, is amended by inserting before the item relating to section 6432 the following new item:~~

~~"Sec. 6431B. Credit for operations and maintenance costs of government-owned broadband."~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2020.~~

**\* Sec. 135201. Permanent extension of new markets tax credit**

~~(a) TEMPORARY LIMIT INCREASE AND PERMANENT EXTENSION.—~~

~~Section 45D(f)(1) is amended by striking "and" at the end of subparagraph (G) and by striking subparagraph (H) and inserting the following new subparagraphs:~~

~~"(H) \$5,000,000,000 for each of calendar years 2020 and 2021;~~

~~"(I) \$7,000,000,000 for calendar year 2022;~~

~~"(J) \$6,000,000,000 for calendar year 2023, and~~

~~"(K) \$5,000,000,000 for calendar year 2024 and each calendar year thereafter."~~

~~(b) ALTERNATIVE MINIMUM TAX RELIEF.— Section 38(c)(4)(B) is amended—~~

~~(1) by redesignating clauses (v) through (xii) as clauses (vi) through (xiii), respectively, and~~

~~(2) by inserting after clause (iv) the following new clause:~~

~~"(v) the credit determined under section 45D, but only with respect to credits determined with respect to qualified equity investments (as defined in section 45D(b)) initially made after December 31, 2021,".~~

~~(c) INFLATION ADJUSTMENT.—~~

~~Section 45D(f) is amended by adding at the end the following new paragraph:~~

~~"(4) INFLATION ADJUSTMENT.—~~

~~"(A) IN GENERAL.— In the case of any calendar year beginning after 2024, the dollar amount paragraph (1)(H) shall be increased by an amount equal to—~~

~~"(i) such dollar amount, multiplied by~~

~~"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year, determined by substituting 'calendar year 2023' for 'calendar year 2016' in subparagraph (A)(ii) thereof.~~

~~"(B) ROUNDING RULE.— Any increase under subparagraph (A) which is not a multiple of \$1,000,000 shall be rounded to the nearest multiple of \$1,000,000."~~

~~(d) CONFORMING AMENDMENT.— Section 45D(f)(3) is amended by striking the last sentence.~~

~~(e) EFFECTIVE DATES.—~~

~~(1) IN GENERAL.— Except as otherwise provided in this subsection, the amendments made by this section shall apply to new markets tax credit limitation determined for calendar years after 2021.~~

~~(2) ALTERNATIVE MINIMUM TAX RELIEF.— The amendments made by subsection (b) shall apply to credits determined with respect to qualified equity investments (as defined in section 45D(b) of the Internal Revenue Code of 1986) initially made after December 31, 2021.~~

**\* Sec. 135301. Determination of credit percentage**

~~(a) IN GENERAL.— Section 47(a)(2) is amended by striking "20 percent" and inserting "the applicable percentage".~~

~~(b) APPLICABLE PERCENTAGE.—~~

~~Section 47(a) is amended by adding at the end the following new paragraph:~~

~~"(3) APPLICABLE PERCENTAGE.— For purposes of this subsection, the term 'applicable percentage' means the percentage determined in accordance with the following table:~~

<del>"In the case of taxable years beginning:</del>	<del>The applicable percentage is:</del>
<del>Before 2020</del>	<del>20 percent</del>
<del>In 2020 through 2025</del>	<del>30 percent</del>
<del>In 2026</del>	<del>26 percent</del>
<del>In 2027</del>	<del>23 percent</del>
<del>After 2027</del>	<del>20 percent"</del>

~~"(4) APPLICATION OF PERCENTAGES TO YEAR OF EXPENDITURE.— In the case of qualified rehabilitation expenditures with respect to the qualified rehabilitated building that are paid or incurred in 2 or more taxable years for which there is a different applicable percentage under paragraph (3), the ratable share shall be determined by applying to such expenditures the applicable percentage corresponding to the taxable year in which such expenditures were paid or incurred."~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to property placed in service after March 31, 2021.~~

**\* Sec. 135302. Increase in the rehabilitation credit for certain small projects**

~~(a) IN GENERAL.—~~

Section 47 is amended by adding at the end the following new subsection:

~~"(e) SPECIAL RULE REGARDING CERTAIN SMALLER PROJECTS.—~~

~~"(1) IN GENERAL.— In the case of any smaller project—~~

~~"(A) the applicable percentage determined under subsection (a)(3) shall be 30 percent, and~~

~~"(B) the qualified rehabilitation expenditures taken into account under this section with respect to such project shall not exceed \$2,500,000.~~

~~"(2) SMALLER PROJECT.— For purposes of this subsection, the term 'smaller project' means the rehabilitation of any qualified rehabilitated building if—~~

~~"(A) the qualified rehabilitation expenditures taken into account under this section (or which would be so taken into account but for paragraph (1)(B)) with respect to such rehabilitation do not exceed \$3,750,000,~~

~~"(B) no credit was allowed under this section with respect to such building to any taxpayer for either of the 2 taxable years immediately preceding the first taxable year in which expenditures described in subparagraph (A) were paid or incurred, and~~

~~"(C) the taxpayer elects (at such time and manner as the Secretary may provide) to have this subsection apply with respect to such rehabilitation."~~

~~(b) EFFECTIVE DATE.— The amendment made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* Sec. 135303. Modification of definition of substantially rehabilitated**

~~(a) IN GENERAL.— Section 47(c)(1)(B)(i)(I) is amended by inserting "50 percent of" before "the adjusted basis".~~

~~(b) EFFECTIVE DATE.— The amendment made by subsection (a) shall apply to determinations with respect to 24-month periods (referred to in clause (i) of section 47(c)(1)(B) of the Internal Revenue Code of 1986) and 60-month periods (referred to in clause (ii) of such section) which end after December 31, 2021.~~

**\* Sec. 135304. Elimination of rehabilitation credit basis adjustment**

~~(a) IN GENERAL.—~~

Section 50(c) is amended by adding at the end the following new paragraph:

~~"(6) EXCEPTION FOR REHABILITATION CREDIT.— In the case of the rehabilitation credit, paragraph (1) shall not apply."~~

~~(b) TREATMENT IN CASE OF CREDIT ALLOWED TO LESSEE.— Section 50(d) is amended by adding at the end the following: "In the case of the rehabilitation credit, paragraph (5)(B) of the section 48(d) referred to in paragraph (5) of this subsection shall not apply."~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to property placed in service after December 31, 2022.~~

\* **Sec. 135305. Modifications regarding certain tax-exempt use property**

(a) ~~IN GENERAL.—~~

Section 47(c)(2)(B)(v) is amended by adding at the end the following new subclause:

~~"(III) DISQUALIFIED LEASE RULES TO APPLY ONLY IN CASE OF GOVERNMENT ENTITY.—~~

~~For purposes of subclause (I), except in the case of a tax-exempt entity described in section 168(h)(2)(A)(i) (determined without regard to the last sentence of section 168(h)(2)(A)), the determination of whether property is tax-exempt use property shall be made under section 168(h) without regard to whether the property is leased in a disqualified lease (as defined in section 168(h)(1)(B)(ii))."~~

(b) ~~EFFECTIVE DATE.—~~ The amendments made by this section shall apply to leases entered into after December 31, 2021.

\* **Sec. 135306. Qualification of rehabilitation expenditures for public school buildings for rehabilitation credit**

(a) ~~IN GENERAL.—~~

Section 47(c)(2)(B)(v), as amended by the preceding provisions of this Act, is amended by adding at the end the following new subclause:

~~"(IV) CLAUSE NOT TO APPLY TO PUBLIC SCHOOLS.—~~ This clause shall not apply in the case of the rehabilitation of any building which was used as a qualified public educational facility (as defined in section 142(k)(1), determined without regard to subparagraph (B) thereof) at any time during the 5-year period ending on the date that such rehabilitation begins and which is used as such a facility immediately after such rehabilitation."

(b) ~~REPORT.—~~ Not later than the date which is 5 years after the date of the enactment of this Act, the Secretary of the Treasury, after consultation with the heads of appropriate Federal agencies, shall report to Congress on the effects resulting from the amendment made by subsection (a), including—

(1) the number of qualified public education facilities rehabilitated (stated separately with respect to each State) and the number of students using such facilities (stated separately with respect to each such State);

(2) the number of qualified public education facilities rehabilitated in low income communities (as section 45D(e)(1) of the Internal Revenue Code of 1986) and the number of students using such facilities;

(3) the amount of qualified rehabilitation expenditures for each qualified public education facility rehabilitated, and

(4) and any other data determined by the Secretary to be useful in evaluating the impact of such amendment.

(c) ~~EFFECTIVE DATE.—~~ The amendment made by this section shall apply to property placed in service after December 31, 2021.

\* **Sec. 135401. Exclusion of amounts received from state-based catastrophe loss mitigation programs**

~~(a) IN GENERAL.—~~

~~Section 139 is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:~~

~~"(h) STATE-BASED CATASTROPHE LOSS MITIGATION PROGRAMS.—~~

~~"(1) IN GENERAL.—Gross income shall not include any amount received by an individual as a qualified catastrophe mitigation payment under a program established by a State, or a political subdivision or instrumentality thereof, for the purpose of making such payments.~~

~~"(2) QUALIFIED CATASTROPHE MITIGATION PAYMENT.—For purposes of this section, the term 'qualified catastrophe mitigation payment' means any amount which is received by an individual to make improvements to such individual's residence for the sole purpose of reducing the damage that would be done to such residence by a windstorm, earthquake, or wildfire.~~

~~"(3) NO INCREASE IN BASIS.—Rules similar to the rules of subsection (g)(3) shall apply in the case of this subsection."~~

~~(b) CONFORMING AMENDMENTS.—~~

~~(1) Section 139(d) is amended by striking "and qualified" and inserting ", qualified catastrophe mitigation payments, and qualified".~~

~~(2) Section 139(i) (as redesignated by subsection (a)) is amended by striking "or qualified" and inserting ", qualified catastrophe mitigation payment, or qualified".~~

~~(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2020.~~

**\* Sec. 135402. Repeal of temporary limitation on personal casualty losses**

~~(a) IN GENERAL.—Section 165(h) is amended by striking paragraph (5).~~

~~(b) EXTENSION OF PERIOD OF LIMITATION ON FILING CLAIM IN CERTAIN CIRCUMSTANCES.—In the case of a claim for credit or refund which is properly allocable to a loss which is—~~

~~(1) deductible under section 165(a) of the Internal Revenue Code of 1986;~~

~~(2) described in Revenue Procedure 2017-60 (as modified by Revenue Procedure 2018-14); and~~

~~(3) claimed for a taxable year beginning after December 31, 2016;~~

~~the period of limitation prescribed in section 6511 of the Internal Revenue Code of 1986 for the filing of such claim shall be treated as not expiring earlier than the date that is 1 year after the date of the enactment of this Act.~~

~~(c) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to losses incurred in taxable years beginning after December 31, 2017.~~

~~(d) REGULATIONS.—The Secretary of the Treasury (or the Secretary's delegate) shall issue such regulations or other guidance as are necessary to implement the amendment made by this section, including regulations or guidance consistent with Revenue Procedure 2017-60 (as so modified).~~

**\* ~~Sec. 137103. Establishment of monthly child tax credit with advance payment through 2025~~**

~~(a) IN GENERAL.—~~

Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 24 the following new sections:

**~~"Sec. 24A. Monthly child tax credit~~**

~~"(a) ALLOWANCE OF CREDIT.— There shall be allowed as a credit against the tax imposed by this chapter for the taxable year the sum of the monthly specified child allowances determined with respect to the taxpayer under subsection (b) for each calendar month during such taxable year.~~

~~"(b) MONTHLY SPECIFIED CHILD ALLOWANCE.—~~

~~"(1) IN GENERAL.— For purposes of this section, the term 'monthly specified child allowance' means, with respect to any taxpayer for any calendar month, the sum of—~~

~~"(A) \$300 with respect to each specified child of such taxpayer who will not, as of the close of the taxable year which includes such month, have attained age 6, plus~~

~~"(B) \$250 with respect to each specified child of such taxpayer who will, as of the close of the taxable year which includes such month, have attained age 6.~~

~~"(2) LIMITATIONS BASED ON MODIFIED ADJUSTED GROSS INCOME.—~~

~~"(A) INITIAL REDUCTION.— The monthly specified child allowance otherwise determined under paragraph (1) with respect to any taxpayer for any calendar month shall be reduced (but not below zero) by 1/12 of 5 percent of the excess (if any) of the taxpayer's modified adjusted gross income for the applicable taxable year over the initial threshold amount in effect for such applicable taxable year.~~

~~"(B) LIMITATION ON INITIAL REDUCTION.— The amount of the reduction under subparagraph (A) shall not exceed the lesser of—~~

~~"(i) the excess (if any) of—~~

~~"(I) the monthly specified child allowance with respect to the taxpayer for the calendar month (determined without regard to this paragraph), over~~

~~"(II) the amount which would be determined under subclause (I) if the dollar amounts in effect under subparagraphs (A) and (B) of paragraph (1) were each equal to \$166.67, or~~

~~"(ii) 1/12 of 5 percent of the excess of the secondary threshold amount over the initial threshold amount.~~

~~"(C) SECONDARY REDUCTION.— The monthly specified child allowance otherwise determined under paragraph (1) with respect to any taxpayer for any calendar month (determined after the application of subparagraphs (A) and (B)) shall be reduced (but not below zero) by 1/12 of 5 percent of the excess (if any) of the taxpayer's modified adjusted gross income for the applicable taxable year over the secondary threshold amount:~~

(/)

~~"(D) DEFINITIONS RELATED TO LIMITATIONS BASED ON MODIFIED ADJUSTED GROSS INCOME.— For purposes of this paragraph—~~

~~"(i) INITIAL THRESHOLD AMOUNT.— The term 'initial threshold amount' means~~

~~"(I) \$150,000, in the case of a joint return or surviving spouse (as defined in section 2(a));~~

~~"(II) 1/2 the dollar amount in effect under subclause (I), in the case of a married individual filing a separate return, and~~

~~"(III) \$112,500, in any other case.~~

~~"(iii) SECONDARY THRESHOLD AMOUNT.— The term 'secondary threshold amount' means—~~

~~"(I) \$400,000, in the case of a joint return or surviving spouse (as defined in section 2(a));~~

~~"(II) \$300,000, in the case of a head of household (as defined in section 2(b)), and~~

~~"(III) \$200,000, in any other case.~~

~~"(iv) APPLICABLE TAXABLE YEAR.— The term 'applicable taxable year' means, with respect to any taxpayer, the relevant taxable year with respect to which the taxpayer has the lowest modified adjusted gross income. For purposes of the preceding sentence, the term 'relevant taxable year' means the taxable year for which the credit allowed under this section is determined and each of the 2 immediately preceding taxable years.~~

~~"(v) MODIFIED ADJUSTED GROSS INCOME.— The term 'modified adjusted gross income' means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.~~

~~"(c) SPECIFIED CHILD.— For purposes of this section—~~

~~"(1) IN GENERAL.— The term 'specified child' means, with respect to any taxpayer for any calendar month, an individual—~~

~~"(A) who has the same principal place of abode as the taxpayer for more than one-half of such month;~~

~~"(B) who is younger than the taxpayer and will not, as of the close of the calendar year which includes such month, have attained age 18;~~

~~"(C) who receives care from the taxpayer during such month that is not compensated;~~

~~"(D) who is not the spouse of the taxpayer at any time during such month;~~

~~"(E) who is not a taxpayer with respect to whom any individual is a specified child for such month, and~~

~~"(F) who either—~~

~~"(i) is a citizen, national, or resident of the United States, or~~



~~"(ii) if the taxpayer is a citizen or national of the United States, such individual is described in section 152(f)(1)(B) with respect to such taxpayer.~~

~~"(2) CARE FROM THE TAXPAYER.—~~

~~"(A) IN GENERAL.— Except as otherwise provided by the Secretary, whether any individual receives care from the taxpayer (within the meaning of paragraph (1)(C)) shall be determined on the basis of facts and circumstances with respect to the following factors:~~

~~"(i) The supervision provided by the taxpayer regarding the daily activities and needs of the individual.~~

~~"(ii) The maintenance by the taxpayer of a secure environment at which the individual resides.~~

~~"(iii) The provision or arrangement by the taxpayer of, and transportation by the taxpayer to, medical care at regular intervals and as required for the individual.~~

~~"(iv) The involvement by the taxpayer in, and financial and other support by the taxpayer for, educational or similar activities of the individual.~~

~~"(v) Any other factor that the Secretary determines to be appropriate to determine whether the individual receives care from the taxpayer.~~

~~"(B) DETERMINATION OF WHETHER CARE IS COMPENSATED.— For purposes of determining if care is compensated within the meaning of paragraph (1)(C), compensation from the Federal Government, a State or local government, a Tribal government, or any possession of the United States shall not be taken into account.~~

~~"(3) APPLICATION OF TIE-BREAKER RULES.—~~

~~"(A) IN GENERAL.— Except as provided in subparagraph (D), if any individual would (but for this paragraph) be a specified child of 2 or more taxpayers for any month, such individual shall be treated as the specified child only of the taxpayer who is—~~

~~"(i) the parent of the individual (or, if such individual would (but for this paragraph) be a specified child of 2 or more parents of the individual for such month, the parent of the individual determined under subparagraph (B));~~

~~"(ii) if the individual is not a specified child of any parent of the individual (determined without regard to this paragraph), the specified relative of the individual with the highest adjusted gross income for the taxable year which includes such month, or~~

~~"(iii) if the individual is neither a specified child of any parent of the individual nor a specified child of any specified relative of the individual (in both cases determined without regard to this paragraph), the taxpayer with the highest adjusted gross income for the taxable year which includes such month.~~

~~"(B) TIE-BREAKER AMONG PARENTS.— If any individual would (but for this paragraph) be the specified child of 2 or more parents of the individual for any month, such child shall be treated only as the specified child of—~~

~~"(i) the parent with whom the child resided for the longest period of time during such month, or~~

~~"(ii) if the child resides with both parents for the same amount of time during such month, the parent with the highest adjusted gross income for the taxable year which includes such month.~~

~~"(C) SPECIFIED RELATIVE.— For purposes of this paragraph, the term 'specified relative' means an individual who is—~~

~~"(i) an ancestor of a parent of the specified child,~~

~~"(ii) a brother or sister of a parent of the specified child, or~~

~~"(iii) a brother, sister, stepbrother, or stepsister of the specified child.~~

~~"(D) CERTAIN PARENTS OR SPECIFIED RELATIVES NOT TAKEN INTO ACCOUNT.— This paragraph shall be applied without regard to any parent or specified relative of an individual for any month if—~~

~~"(i) such parent or specified relative elects to have such individual not be treated as a specified child of such parent or specified relative for such month,~~

~~"(ii) in the case of a parent of such individual, the adjusted gross income of the taxpayer (with respect to whom such individual would be treated as a specified child after application of this subparagraph) for the taxable year which includes such month is higher than the highest adjusted gross income of any parent of the individual for any taxable year which includes such month (determined without regard to any parent with respect to whom such individual is not a specified child, determined without regard to subparagraphs (A) and (B) and after application of this subparagraph), and~~

~~"(iii) in the case of a specified relative of such individual, the adjusted gross income of the taxpayer (with respect to whom such individual would be treated as a specified child after application of this subparagraph) for the taxable year which includes such month is higher than the highest adjusted gross income of any parent and any specified relative of the individual for any taxable year which includes such month (determined without regard to any parent and any specified relative with respect to whom such individual is not a specified child, determined without regard to subparagraphs (A) and (B) and after application of this subparagraph):~~

~~"(E) TREATMENT OF JOINT RETURNS.— For purposes of this paragraph, with respect to any month, 2 individuals filing a joint return for the taxable year which includes such month shall be treated as 1 individual.~~

~~"(F) PARENT.— Except as otherwise provided by the Secretary, the term 'parent' shall have the same meaning as when used in section 152(c)(4).~~

~~"(4) SPECIAL RULES WITH RESPECT TO BIRTH AND DEATH.—~~

~~"(A) BIRTH.—~~

~~"(i) IN GENERAL.— <sup>(1)</sup>In the case of the birth of an individual during any calendar year, such individual shall be treated as a specified child of the relevant~~

~~taxpayer for each calendar month in such calendar year which precedes the calendar month referred to in clause (i).~~

~~"(ii) RELEVANT TAXPAYER.— For purposes of clause (i), the term 'relevant taxpayer' means the taxpayer with respect to whom the individual referred to in clause (i) is a specified child for the first month for which such individual is a specified child with respect to any taxpayer (determined without regard to this subparagraph).~~

~~"(B) DEATH.—~~

~~"(i) IN GENERAL.— In the case of the death of an individual during any calendar year, such individual shall be treated as a specified child of the relevant taxpayer for each calendar month in such calendar year which follows the calendar month referred to in clause (ii).~~

~~"(ii) RELEVANT TAXPAYER.— For purposes of clause (i), the term 'relevant taxpayer' means the taxpayer with respect to whom the individual referred to in clause (i) is a specified child for the last month for which such individual is alive.~~

~~"(5) TREATMENT OF TEMPORARY ABSENCES.— For purposes of this subsection—~~

~~"(A) IN GENERAL.— In the case of any individual's temporary absence from such individual's principal place of abode, each day composing the temporary absence shall—~~

~~"(i) be treated as a day at such individual's principal place of abode, and~~

~~"(ii) not be treated as a day at any other location.~~

~~"(B) TEMPORARY ABSENCE.— For purposes of subparagraph (A), an absence shall be treated as temporary if—~~

~~"(i) the individual would have resided at the place of abode but for the absence, and~~

~~"(ii) under the facts and circumstances, it is reasonable to assume that the individual will return to reside at the place of abode.~~

~~"(6) SPECIAL RULE FOR DIVORCED PARENTS, ETC.— Rules similar to the rules section 452(e) shall apply for purposes of this subsection.~~

~~"(7) ELIGIBILITY DETERMINED ON BASIS OF PRESUMPTIVE ELIGIBILITY.—~~

~~"(A) IN GENERAL.— If a period of presumptive eligibility is established under section 7527B(c) for any individual with respect to any taxpayer—~~

~~"(i) such individual shall be treated as the specified child of such taxpayer for any month in such period of presumptive eligibility, and~~

~~"(ii) such individual shall not be treated as the specified child of any other taxpayer with respect to whom a period of presumptive eligibility has not been established for any such month.~~

~~"(B) ABILITY OF CREDIT CLAIMANTS TO ESTABLISH PRESUMPTIVE ELIGIBILITY.— Nothing in section 7527B(c)(4) shall be interpreted to preclude a taxpayer who elects not to receive monthly advance child payments under section 7527B from~~

~~establishing a period of presumptive eligibility (including any such period described in section 7527B(e)(2)(D)) with respect to any specified child for purposes of this section.~~

~~"(d) PORTION OF CREDIT REFUNDABLE.— If the taxpayer (in the case of a joint return, either spouse) has a principal place of abode (determined as provided in section 32) in the United States or Puerto Rico for more than one-half of any calendar month during the taxable year, so much of the credit otherwise allowed under subsection (a) as is attributable to monthly specified child allowances with respect to any such calendar month shall be allowed under subpart C (and not allowed under this subpart):~~

~~"(e) IDENTIFICATION REQUIREMENTS.— Rules similar to the rules of section 24(e) shall apply for purposes of this section:~~

~~"(f) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDIT OR IMPROPERLY RECEIVED MONTHLY ADVANCE CHILD PAYMENT.—~~

~~"(1) TAXPAYERS MAKING PRIOR FRAUDULENT OR RECKLESS CLAIMS.—~~

~~"(A) IN GENERAL.— No credit shall be allowed under this section for any taxable year (and no payment shall be made under section 7527B for any month) in the disallowance period:~~

~~"(B) DISALLOWANCE PERIOD.— For purposes of subparagraph (A), the disallowance period is—~~

~~"(i) the period of 10 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section or section 24 (or payment under section 7527A or 7527B) was due to fraud;~~

~~"(ii) the period of 2 taxable years after the most recent taxable year for which there was a final determination that the taxpayer's claim of credit under this section or section 24 (or payment under section 7527A or 7527B) was due to reckless or intentional disregard of rules and regulations (but not due to fraud), and~~

~~"(iii) in addition to any period determined under clause (i) or (ii) (as the case may be), the period beginning on the date of the final determination described in such clause and ending with the beginning of the period described in such clause.~~

~~"(2) TAXPAYERS MAKING IMPROPER PRIOR CLAIMS.— In the case of a taxpayer who is denied credit under this section or section 24 for any taxable year as a result of the deficiency procedures under subchapter B of chapter 63, no credit shall be allowed under this section for any subsequent taxable year (and no payment shall be made under section 7527B for any subsequent month) unless the taxpayer provides such information as the Secretary may require to demonstrate eligibility for such credit.~~

~~"(3) COORDINATION WITH POSSESSIONS OF THE UNITED STATES.— In carrying out this section, the Secretary shall coordinate with each possession of the United States to prevent the avoidance of the application of this subsection.~~

~~"(g) RECONCILIATION OF CREDIT AND MONTHLY ADVANCE CHILD PAYMENTS.—~~

~~"(1) IN GENERAL.— The amount otherwise determined under subsection (a) with respect to any taxpayer for any taxable year shall be reduced (but not below zero) by the aggregate amount of payments made under section 7527B to such taxpayer for one or more calendar months in such taxable year. Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).~~

~~"(2) RECAPTURE OF EXCESS ADVANCE PAYMENTS IN CERTAIN CIRCUMSTANCES.— In the case of a taxpayer described in paragraph (3) for any taxable year, the tax imposed by this chapter for such taxable year shall be increased by the excess (if any) of—~~

~~"(A) the aggregate amount of payments made to the taxpayer under section 7527B for one or more calendar months in such taxable year, over~~

~~"(B) the amount determined under subsection (a) with respect to the taxpayer for such taxable year (without regard to paragraph (1) of this subsection).~~

~~"(3) TAXPAYERS SUBJECT TO RECAPTURE.—~~

~~"(A) FRAUD OR RECKLESS OR INTENTIONAL DISREGARD OF RULES AND REGULATIONS.— A taxpayer is described in this paragraph with respect to any taxable year if the Secretary determines that the amount described in paragraph (2)(A) with respect to the taxpayer for such taxable year was determined on the basis of fraud or a reckless or intentional disregard of rules and regulations.~~

~~"(B) UNDERSTATEMENT OF INCOME; CHANGES IN FILING STATUS.— If the amount described in paragraph (2)(A) with respect to the taxpayer for the taxable year was determined on the basis of an amount of the taxpayer's modified adjusted gross income which was less than the taxpayer's modified adjusted gross income for the applicable taxable year (as defined in subsection (b))—~~

~~"(i) such taxpayer shall be treated as described in this paragraph, and~~

~~"(ii) the increase determined under paragraph (2) by reason of this subparagraph shall not exceed the excess of—~~

~~"(I) the amount described in paragraph (2)(A), over~~

~~"(II) the amount which would be so described if the payments described therein had been determined on the basis of the taxpayer's modified adjusted gross income for the applicable taxable year (as defined in subsection (b)).~~

~~A rule similar to the rule of the preceding sentence shall apply if the amount described in paragraph (2)(A) with respect to the taxpayer for the taxable year was determined on the basis of a filing status of the taxpayer which differs from the taxpayer's filing status for the applicable taxable year (as so defined).~~

~~"(C) PAYMENTS MADE OUTSIDE OF PERIOD OF PRESUMPTIVE ELIGIBILITY.— If any payment described in paragraph (2)(A) with respect to the taxpayer for the taxable year was made with respect to a child for a month which was not part of a period of~~

~~presumptive eligibility established under section 7527B(c) for such child with respect to such taxpayer—~~

~~"(i) such taxpayer shall be treated as described in this paragraph, and~~

~~"(ii) the increase determined under paragraph (2) by reason of this subparagraph shall not exceed the portion of such payment so made.~~

~~"(D) CERTAIN PAYMENTS MADE AFTER NOTICE FROM SECRETARY.— If the Secretary notifies a taxpayer under section 7527B(j)(2) that such taxpayer is subject to recapture with respect to any payments—~~

~~"(i) such taxpayer shall be treated as described in this paragraph, and~~

~~"(ii) the increase determined under paragraph (2) by reason of this subparagraph shall not exceed the aggregate amount of such payments.~~

~~"(E) TAXPAYERS MOVING TO ANOTHER JURISDICTION.— To minimize the amount of advance payments made under section 7527B to ineligible individuals, the Secretary shall issue regulations or other guidance for purposes of this paragraph which apply with respect to taxpayers who are described in section 7527B(b)(4) with respect to the reference month but are not so described with respect to one or more months during the taxable year for which advance payments under section 7527B are made.~~

~~"(F) OTHER CIRCUMSTANCES TO PREVENT ABUSE.— A taxpayer is described in this paragraph with respect to any taxable year pursuant to regulations or other guidance of the Secretary describing other recapture circumstances to facilitate the administration and enforcement by the Secretary of section 7527B to minimize the amount of advance payments made under section 7527B to ineligible individuals and to prevent abuse.~~

~~"(4) JOINT RETURNS.— Except as otherwise provided by the Secretary, in the case of an advance payment made under section 7527B with respect to a joint return, half of such payment shall be treated as having been made to each individual filing such return.~~

~~"(h) INFLATION ADJUSTMENTS.—~~

~~"(1) MONTHLY SPECIFIED CHILD ALLOWANCE.—~~

~~"(A) IN GENERAL.— In the case of any month beginning after December 31, 2022, each of the dollar amounts in subsection (b)(1) shall be increased by an amount equal to—~~

~~"(i) such dollar amount, multiplied by~~

~~"(ii) the percentage (if any) by which—~~

~~"(I) the CPI (as defined in section 1(f)(4)) for the calendar year preceding the calendar year in which such month begins, exceeds~~

~~"(II) the CPI (as so defined) for calendar year 2020.~~

~~"(B) ROUNDING.— Any increase under subparagraph (A) which is not a multiple of \$10 shall be rounded to the nearest multiple of \$10.~~

~~"(2) INITIAL THRESHOLD AMOUNT.—~~

~~"(A) IN GENERAL.— In the case of any taxable year beginning after December 31, 2022, the dollar amounts in subclauses (I) and (III) of subsection (b)(2)(D)(i) shall each be increased by an amount equal to—~~

~~"(i) such dollar amount, multiplied by~~

~~"(ii) the percentage (if any) by which—~~

~~"(I) the CPI (as defined in section 1(f)(4)) for the calendar year preceding the calendar year in which such taxable year begins, exceeds~~

~~"(II) the CPI (as so defined) for calendar year 2020.~~

~~"(B) ROUNDING.— Any increase under subparagraph (A) which is not a multiple of \$5,000 shall be rounded to the nearest multiple of \$5,000.~~

~~"(i) APPLICATION OF CREDIT IN POSSESSIONS.—~~

~~"(1) MIRROR CODE POSSESSIONS.—~~

~~"(A) IN GENERAL.— The Secretary shall pay to each possession of the United States with a mirror code tax system amounts equal to the loss (if any) to that possession by reason of the application of this section (determined without regard to this subsection) with respect to taxable years beginning after 2022 and before 2026. Such amounts shall be determined by the Secretary based on information provided by the government of the respective possession.~~

~~"(B) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.— No credit shall be allowed under this section for any taxable year to any individual to whom a credit is allowable against taxes imposed by a possession of the United States with a mirror code tax system by reason of the application of this section in such possession for such taxable year.~~

~~"(C) MIRROR CODE TAX SYSTEM.— For purposes of this paragraph, the term 'mirror code tax system' means, with respect to any possession of the United States, the income tax system of such possession if the income tax liability of the residents of such possession under such system is determined by reference to the income tax laws of the United States as if such possession were the United States.~~

~~"(2) CROSS REFERENCES RELATED TO APPLICATION OF CREDIT TO RESIDENTS OF PUERTO RICO.—~~

~~"(A) For application of refundable credit to residents of Puerto Rico, see subsection (d).~~

~~"(B) For application of advance payment to residents of Puerto Rico, see section 7527B(b)(4).~~

~~"(3) AMERICAN SAMOA.—~~

~~"(A) IN GENERAL.— The Secretary shall pay to American Samoa amounts estimated by the Secretary as being equal to the aggregate benefits that would have been provided to residents of American Samoa by reason of the application of this section for taxable years beginning after 2022 and before 2026 if the provisions of this section had been in effect in American Samoa (applied as if American Samoa~~

were the United States and without regard to the application of this section to residents of Puerto Rico under subsection (d)):

~~"(B) DISTRIBUTION REQUIREMENT.— Subparagraph (A) shall not apply unless American Samoa has a plan, which has been approved by the Secretary, under which American Samoa will promptly distribute such payments to its residents.~~

~~"(C) COORDINATION WITH CREDIT ALLOWED AGAINST UNITED STATES INCOME TAXES.—~~

~~"(i) IN GENERAL.— In the case of a taxable year with respect to which a plan is approved under subparagraph (B), this section (other than this subsection) shall not apply to any individual eligible for a distribution under such plan.~~

~~"(ii) APPLICATION OF SECTION IN EVENT OF ABSENCE OF APPROVED PLAN.— In the case of a taxable year with respect to which a plan is not approved under subparagraph (B), subsection (d) shall be applied by substituting ', Puerto Rico, or American Samoa' for 'or Puerto Rico'.~~

~~"(4) TREATMENT OF PAYMENTS.— For purposes of section 1324 of title 31, United States Code, the payments under this subsection shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.~~

~~"(j) REGULATIONS.— The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this section, including regulations or other guidance—~~

~~"(1) for determining whether an individual receives care from a taxpayer for purposes of subsection (c)(1), and~~

~~"(2) to coordinate or modify the application of this section and section 24, 7527A, and 7527B in the case of any taxpayer—~~

~~"(A) whose taxable year is other than a calendar year,~~

~~"(B) whose filing status for a taxable year is different from the status used for determining one or more monthly payments under section 7527B during such taxable year, or~~

~~"(C) whose principal place of abode for any month is different from the principal place of abode used for determining the monthly payment under section 7527B for such month.~~

~~"(k) TERMINATION.— This section shall not apply to taxable years beginning after December 31, 2025.~~

**~~"Sec. 24B. Credit for certain other dependents~~**

~~"(a) IN GENERAL.— There shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to \$500 with respect to each specified dependent of such taxpayer for such taxable year.~~

~~"(b) LIMITATION BASED ON MODIFIED ADJUSTED GROSS INCOME.—~~

~~"(1) IN GENERAL.— The amount of the credit allowable under subsection (a) shall be reduced (but not below zero) by \$50 for each \$1,000 (or fraction thereof) by which the taxpayer's modified adjusted gross income exceeds the threshold amount.~~



~~"(2) THRESHOLD AMOUNT.— For purposes of this subsection, the term 'threshold amount' means—~~

~~"(A) \$400,000, in the case of a joint return or surviving spouse (as defined in section 2(a));~~

~~"(B) \$300,000, in the case of a head of household (as defined in section 2(b));~~  
and

~~"(C) \$200,000, in any other case.~~

~~"(3) MODIFIED ADJUSTED GROSS INCOME.— For purposes of this subsection, the term 'modified adjusted gross income' means adjusted gross income increased by any amount excluded from gross income under section 911, 931, or 933.~~

~~"(c) SPECIFIED DEPENDENT.— For purposes of this section, the term 'specified dependent' means, with respect to any taxpayer for any taxable year, any dependent of such taxpayer for such taxable year unless such dependent—~~

~~"(1) is a specified child of the taxpayer, or any other taxpayer, for any month during such taxable year, or~~

~~"(2) would not be a dependent if subparagraph (A) of section 152(b)(3) were applied without regard to all that follows 'resident of the United States'.~~

~~"(d) IDENTIFICATION REQUIREMENTS.— Rules similar to the rules of section 24(e) shall apply for purposes of this section.~~

~~"(e) TAXABLE YEAR MUST BE FULL TAXABLE YEAR.— Except in the case of a taxable year closed by reason of the death of the taxpayer, no credit shall be allowable under this section in the case of a taxable year covering a period of less than 12 months.~~

~~"(f) INFLATION ADJUSTMENT.—~~

~~"(1) IN GENERAL.— In the case of any taxable year beginning after December 31, 2022, the \$500 amount in subsection (a) shall be increased by an amount equal to—~~

~~"(A) such dollar amount, multiplied by~~

~~"(B) the percentage (if any) by which—~~

~~"(i) the CPI (as defined in section 1(f)(4)) for the calendar year preceding the calendar year in which such taxable year begins, exceeds~~

~~"(ii) the CPI (as so defined) for calendar year 2020.~~

~~"(2) ROUNDING.— If the increase determined under paragraph (1) is not a multiple of \$10, such increase shall be rounded to the nearest multiple of \$10.~~

~~"(g) REGULATIONS.— The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this section.~~

~~"(h) TERMINATION.— This section shall not apply to taxable years beginning after December 31, 2025."~~

~~(b) MONTHLY PAYMENT OF CHILD TAX CREDIT.—~~

Chapter 77's amended by inserting after section 7527A the following new section:

**"Sec. 7527B. Monthly payments of child tax credit**

~~"(a) IN GENERAL.—The Secretary shall establish a program for making payments to taxpayers with respect to each calendar month equal to the monthly advance child payment determined with respect to such taxpayer for such month.~~

~~"(b) MONTHLY ADVANCE CHILD PAYMENT.—For purposes of this section and except as otherwise provided in this section, the term 'monthly advance child payment' means, with respect to any taxpayer for any calendar month, the amount (if any) which is estimated by the Secretary as being equal to the monthly specified child allowance which would be determined under section 24A(b) with respect to such taxpayer for such calendar month if—~~

~~"(1) unless determined by the Secretary based on any information known to the Secretary, the only specified children of such taxpayer for such calendar month are the specified children of such taxpayer for the reference month;~~

~~"(2) unless determined by the Secretary based on any information known to the Secretary, the ages of such children (and the status of such children as specified children) are determined for such calendar month by taking into account the passage of time since such reference month;~~

~~"(3) the limitations of section 24A(b)(2) were applied with respect to the reference taxable year rather than with respect to the applicable taxable year, and~~

~~"(4) unless determined by the Secretary based on any information known to the Secretary, no monthly specified child allowance were determined with respect to such taxpayer for such calendar month unless the taxpayer (in the case of a joint return, either spouse) has a principal place of abode (determined as provided in section 32) in the United States or Puerto Rico for more than one-half of the reference month.~~

~~"(c) PRESUMPTIVE ELIGIBILITY.—~~

~~"(1) IN GENERAL.—An individual shall be treated as a specified child of a taxpayer for purposes of determining any monthly advance child payment under this section only if such month is part of the period of presumptive eligibility determined by the Secretary under this subsection with respect to such specified child and such taxpayer (determined by treating the month described in subclause (1) of paragraph (2)(A)(ii) as being the first month beginning after the determination described in such subclause):~~

~~"(2) PERIOD OF PRESUMPTIVE ELIGIBILITY.—For purposes of this section—~~

~~"(A) IN GENERAL.—Except as otherwise provided by the Secretary, the term 'period of presumptive eligibility' means the period—~~

~~"(i) beginning with the month for which presumptive eligibility is established;  
and~~

~~"(ii) ending with the earliest of—~~

~~"(I) the beginning of the month described in clause (i) if the Secretary determines that the taxpayer committed fraud or intentionally disregarded rules or regulations in establishing or maintaining presumptive eligibility;~~

~~"(II) in the case of any notification from the Secretary that the period of presumptive eligibility has been terminated or suspended by reason of any question regarding eligibility of the taxpayer for monthly advance child~~

payments with respect to such child, the month specified in such notice as the month on which such termination or suspension begins, and

"(III) the month following any failure of the taxpayer to make the required annual renewal of presumptive eligibility by such date as the Secretary may provide.

~~"(B) ESTABLISHING PRESUMPTIVE ELIGIBILITY.— A taxpayer shall establish presumptive eligibility with respect to any specified child for any month at such time and in such manner as the Secretary may provide. Except as otherwise provided by the Secretary, in order to establish a period of presumptive eligibility the taxpayer must express a reasonable expectation and intent that the taxpayer will continue to be eligible with respect to such specified child for at least the two months following the month for which presumptive eligibility is to be established.~~

~~"(C) METHOD OF ESTABLISHING PRESUMPTIVE ELIGIBILITY.— The Secretary shall ensure information to establish presumptive eligibility under this paragraph may be provided on the return of tax for the taxable year ending before the calendar year which includes the month for which such eligibility is to be established, through the on-line portal described in subsection (c), or in such other manner as the Secretary may provide.~~

~~"(D) INCLUSION OF AUTOMATIC GRACE PERIODS AND PERIODS OF HARDSHIP.— The period of presumptive eligibility shall include any period to which paragraph (1) or (2) of subsection (g) applies.~~

~~"(E) AUTOMATIC ELIGIBILITY FOR BIRTH OF CHILD.— The Secretary shall issue regulations or other guidance to establish procedures pursuant to which, to the maximum extent administratively practicable—~~

~~"(i) a parent of a child born during a calendar month shall be treated as automatically establishing presumptive eligibility with respect to such child;~~

~~"(ii) the period of such automatic presumptive eligibility is determined, and~~

~~"(iii) the first monthly advance child payment with respect to such child is adjusted to properly take into account each month in the taxable year preceding such birth.~~

~~"(F) PRESUMPTIVE ELIGIBILITY BASED ON CERTAIN GOVERNMENT PROGRAMS.— The Secretary shall issue regulations or other guidance to establish procedures under which—~~

~~"(i) based on information provided to the Secretary by one or more government entities, a parent or specified relative of a child is treated as automatically establishing presumptive eligibility with respect to such child, and~~

~~"(ii) the period for which such automatic presumptive eligibility is determined (including any additional circumstances under which such period will terminate).~~

~~"(G) COORDINATION WITH PRESUMPTION.— For purposes of determining the status of any individual as a (1) specified child for purposes of determining presumptive~~

eligibility with respect to any period, section 24A(c) shall be applied without regard to paragraph (7) thereof.

~~"(3) NOTICE OF TERMINATION OF PRESUMPTIVE ELIGIBILITY BY REASON OF FAILURE TO MAKE ANNUAL RENEWAL.—~~ If a taxpayer's period of presumptive eligibility with respect to any specified child terminates by reason of paragraph (2)(A)(ii)(IV), the Secretary shall provide the taxpayer a written notice of such termination.

~~"(d) DETERMINATION OF REFERENCE MONTH AND REFERENCE TAXABLE YEAR.—~~ For purposes of this section—

~~"(1) REFERENCE MONTH.—~~ The term 'reference month' means, with respect to any taxpayer for any calendar month, the most recent of—

~~"(A) in the case of a taxpayer who filed a return of tax for the last taxable year ending before such calendar month, the last month of such taxable year;~~

~~"(B) in the case of a taxpayer who filed a return of tax for the taxable year preceding the taxable year described in subparagraph (A), the last month of such preceding taxable year; and~~

~~"(C) in the case of a taxpayer who provides, through a specified alternative mechanism, information which is sufficient to estimate the taxpayer's monthly advance child payment for such month, such month.~~

~~"(2) REFERENCE TAXABLE YEAR.—~~ The term 'reference taxable year' means, with respect to any taxpayer for any calendar month, the most recent of—

~~"(A) the taxable year described in subparagraph (A) or (B) of paragraph (1); or~~

~~"(B) in the case of a taxpayer who provides, through a specified alternative mechanism, information which is sufficient to estimate the taxpayer's modified adjusted gross income for the taxable year which includes such month, such taxable year.~~

~~"(3) AVAILABILITY OF INFORMATION.—~~ Any month or year referred to in subparagraphs (A), (B), or (C) of paragraph (1) or subparagraph (A) or (B) of paragraph (2) shall not be taken into account in determining the reference month or reference taxable year with respect to any calendar month unless all relevant information with respect to such month or year is available to the Secretary and the Secretary has adequate time to make estimates under this section on the basis of such information before the beginning of such calendar month.

~~"(4) TREATMENT OF INSUFFICIENT INFORMATION.—~~ Except as otherwise provided by the Secretary—

~~"(A) if a taxpayer is not described in subparagraph (A), (B), or (C) of paragraph (1) with respect to any calendar month, the monthly advance child payment with respect to such taxpayer for such calendar month shall be treated as zero unless the Secretary determines that the Secretary can make the estimate described in subsection (b) on the basis of information known to the Secretary which the Secretary determines is reasonably reliable, and~~

~~"(B) if the taxpayer is not described in paragraph (1)(C) and the information on the return of tax referred to in subparagraph (A) or (B) of paragraph (1) does not establish the status of the taxpayer (in the case of a joint return, either spouse) as having a principal place of abode (determined as provided in section 32) in the United States or Puerto Rico for more than one-half of the reference month, the Secretary shall determine such status based on information known to the Secretary.~~

~~"(5) TRANSITION RULE.— In any case with respect to which section 24A was not in effect for the taxable year described in subparagraph (A), (B), or (C) of paragraph (1) (whichever is applicable), subsection (b)(1) shall be applied by substituting 'the qualifying children of such taxpayer for the taxable year which includes the reference month' for 'the specified children of such taxpayer for the reference month'.~~

~~"(e) ON-LINE INFORMATION PORTAL; SPECIFIED ALTERNATIVE MECHANISMS.—~~

~~"(1) ON-LINE INFORMATION PORTAL.— The Secretary shall establish an on-line portal which allows taxpayers to—~~

~~"(A) subject to such restrictions as the Secretary may provide, elect to begin or cease receiving payments under this section, and~~

~~"(B) provide information to the Secretary which is relevant in determining the monthly advance child payment and the taxpayer's eligibility for such payment, including information regarding—~~

~~"(i) the number of the taxpayer's specified children, including by reason of the birth of a child,~~

~~"(ii) the taxpayer's marital status,~~

~~"(iii) the taxpayer's modified adjusted gross income,~~

~~"(iv) the taxpayer's principal place of abode, and~~

~~"(v) any other factor which the Secretary may provide.~~

~~"(2) SPECIFIED ALTERNATIVE MECHANISM.— For purposes of this section, the term 'specified alternative mechanism' means the on-line portal established under paragraph (1), the on-line portal established under section 7527A, and any other mechanism or method established by the Secretary to allow taxpayer's to provide the information described in paragraph (1) (including in connection with the filing of any return of tax).~~

~~"(f) SPECIFIED CHILD OF MORE THAN 1 TAXPAYER.—~~

~~"(1) IN GENERAL.— In the event that (without regard to this paragraph and determined without regard to any election under subsection (e)(1)) any specified child would be taken into account in determining the monthly advance child payment of more than one taxpayer for the same calendar month—~~

~~"(A) except as provided in subparagraph (B), such child shall be so taken into account only with respect to the taxpayer with the most recent reference month, and~~

~~"(B) if any such taxpayer is described in subsection (d)(1)(C) (or more than 1 taxpayer is described in subparagraph (A) of this paragraph), the Secretary shall establish procedures under which the Secretary expeditiously adjudicates the taxpayer's competing claims of presumptive eligibility with respect to the same child.~~

~~"(2) PROVISIONS RELATED TO ADJUDICATION.—~~

~~"(A) EXPEDITED PROCESS; APPEALS.—The procedures established under paragraph (1)(B) shall include—~~

~~"(i) an expedited process for taxpayers who meet such requirements as the Secretary may establish for such expedited process; and~~

~~"(ii) procedures for adjudicating an appeal of an adverse decision.~~

~~"(B) INFORMATION RECEIPT AND COORDINATION.—The Secretary may enter into agreements to receive information from, and otherwise coordinate with—~~

~~"(i) Federal agencies (including the Social Security Administration and the Department of Agriculture);~~

~~"(ii) any State, local government, Tribal government, or possession of the United States; and~~

~~"(iii) any other individual or entity that the Secretary determines to be appropriate for purposes of adjudicating a competing claim described in paragraph (1).~~

~~"(C) ADJUDICATION NOT TREATED AS ASSESSMENT.—An adjudication under the procedures established under paragraph (1)(B) (including the adjudication of any appeal) shall not be treated as an assessment described in section 6201.~~

~~"(D) ADJUDICATION NOT TREATED AS INSPECTION OF TAXPAYER'S BOOKS OF ACCOUNT.—The inspection of a taxpayer's books of account in connection with any adjudication under the procedures established under paragraph (1)(B) (including the adjudication of any appeal) shall not be treated as an examination or inspection of a taxpayer's books of account for purposes of section 7605(b).~~

~~"(3) RETROACTIVE PAYMENTS.—If, pursuant to the procedures established under paragraph (1)(B), the Secretary determines that a child is a specified child of a taxpayer and the Secretary did not make payments to such taxpayer with respect to such child for any portion of the period during which the determination was made, the Secretary may make a one-time payment to the taxpayer with respect to which such child is the specified child in an amount equal to the aggregate amount by which the monthly advance child payments to such taxpayer would have increased during such period if such determination had been made immediately.~~

~~"(4) RECAPTURE OF PAYMENTS.—If, pursuant to the procedures established under paragraph (1)(B), the Secretary makes payments with respect to the child during the period during which the determination is made—~~

~~"(A) the Secretary shall provide each taxpayer which receives such payments notice that such payments may be subject to recapture; and~~

~~"(B) upon making such determination, the Secretary shall determine on the basis of the facts and circumstances of each such taxpayer whether any such payments should be subject to recapture and shall so notify each such taxpayer.~~

~~"(g) RULES RELATED TO GRACE PERIODS AND HARDSHIPS.—~~

~~"(1) AUTOMATIC GRACE PERIOD.—~~

~~"(A) IN GENERAL.— Notwithstanding subsection (f), in the case of any failure or delay in establishing a period of presumptive eligibility with respect to which the taxpayer elects the application of this subparagraph, credit under section 24A or retroactive payment under this section (similar to the payment described in subsection (f)(3)) shall be allowed or made with respect to so much of the period of such failure or delay as does not exceed 3 months. The preceding sentence shall not apply if the Secretary determines that such failure or delay was due to fraud or reckless or intentional disregard of rules and regulations.~~

~~"(B) LIMITATION.— Subparagraph (A) shall not apply with respect to any taxpayer more than once during any 36-month period.~~

~~"(2) HARDSHIP.— Notwithstanding subsection (f), if the Secretary determines that a failure or delay in establishing a period of presumptive eligibility with respect to any specified child was due to domestic violence, serious illness, natural disaster, or any other hardship, credit under section 24A or retroactive payment under this section (similar to the payment described in subsection (f)(3)) shall be allowed or made with respect to so much of the period of such failure or delay as does not exceed 6 months.~~

~~"(h) PROVISIONS RELATED TO FORM, MANNER, AND TREATMENT OF PAYMENTS.—~~

~~"(1) APPLICATION OF ELECTRONIC FUNDS PAYMENT REQUIREMENT.— The payments made by the Secretary under subsection (a) shall be made by electronic funds transfer to the same extent and in the same manner as if such payments were Federal payments not made under this title.~~

~~"(2) APPLICATION OF CERTAIN RULES.— Rules similar to the rules of subparagraphs (B) and (C) of section 6428A(f)(3) shall apply for purposes of this section, applied by substituting 'January 1, 2022' for 'January 1, 2019' in clauses (i) and (ii) of such subparagraph (B).~~

~~"(3) EXCEPTION FROM REDUCTION OR OFFSET.— Any payment made to any individual under this section shall not be—~~

~~"(A) subject to reduction or offset pursuant to subsection (e), (d), (e), or (f) of section 6402 or any similar authority permitting offset, or~~

~~"(B) reduced or offset by other assessed Federal taxes that would otherwise be subject to levy or collection.~~

~~"(4) APPLICATION OF ADVANCE PAYMENTS IN THE POSSESSIONS OF THE UNITED STATES.—~~

~~"(A) PUERTO RICO.—~~

~~"(i) For application of child tax credit to residents of Puerto Rico, see section 24A(d).~~

~~"(ii) For application of monthly advance child payments to residents of Puerto Rico, see subsection (b)(4).~~

~~"(B) MIRROR CODE POSSESSIONS.— In the case of any possession of the United States with a mirror code tax system (as defined in section 24A(i)(1)(C)), this section shall not be treated as part of the income tax laws of the United States for purposes~~

of determining the income tax law of such possession unless such possession elects to have this section be so treated:

~~"(C) ADMINISTRATIVE EXPENSES OF ADVANCE PAYMENTS.—~~

~~"(i) MIRROR CODE POSSESSIONS.—~~ In the case of any possession described in subparagraph (B) which makes the election described in such subparagraph, the amount otherwise paid by the Secretary to such possession under section 24A(i)(1)(A) with respect to taxable years beginning in 2023, 2024, and 2025 shall each be increased by \$300,000 if such possession has a plan, which has been approved by the Secretary, for making monthly advance child payments consistent with such election:

~~"(ii) AMERICAN SAMOA.—~~ The amount otherwise paid by the Secretary to American Samoa under subparagraph (A) of section 24A(i)(3) with respect to taxable years beginning in 2023, 2024, and 2025 shall each be increased by \$300,000 if the plan described in subparagraph (B) of such section includes a program, which has been approved by the Secretary, for making monthly advance child payments under rules similar to the rules of this section:

~~"(iii) TIMING OF PAYMENT.—~~ The Secretary may pay, upon the request of the possession of the United States to which the payment is to be made, the amount of the increase determined under clause (i) or (ii), respectively, immediately upon approval of the plan with respect to which such payment relates:

~~"(i) APPLICATION OF CERTAIN DEFINITIONS AND RULES APPLICABLE TO CHILD TAX CREDIT.—~~

~~"(1) DEFINITIONS.—~~ Except as otherwise provided in this section, terms used in this section which are also used in section 24A shall have the same respective meanings as when used in section 24A:

~~"(2) TREATMENT OF CERTAIN DEATHS.—~~ A child shall not be taken into account in determining the monthly advance child payment for any calendar month if the death of such child before the beginning of the calendar year which includes such month is known to the Secretary as of date on which the Secretary estimates such payment:

~~"(3) IDENTIFICATION REQUIREMENTS.—~~ Rules similar to the rules which apply under section 24A(e) shall apply for purposes of this section except that such rules shall apply with respect to the return of tax for the reference taxable year or, in the case of information provided through a specified alternative mechanism, with respect to the information provided through such mechanism:

~~"(4) RESTRICTIONS ON TAXPAYERS WHO IMPROPERLY CLAIMED CREDIT OR MONTHLY ADVANCE CHILD PAYMENTS.—~~ For restrictions on taxpayers who improperly claimed credit or monthly advance child payments, see section 24A(f):

~~"(j) NOTICE OF PAYMENTS.—~~

~~"(1) IN GENERAL.—~~ Not later than January 31 of the calendar year following any calendar year during which the Secretary makes one or more payments to any taxpayer under this section, the Secretary shall provide such taxpayer with a written notice which includes—



- ~~"(A) the taxpayer's taxpayer identity (as defined in section 6103(b)(6));~~
- ~~"(B) the aggregate amount of such payments made to such taxpayer during such calendar year, and~~
- ~~"(C) such other information as the Secretary determines appropriate.~~

~~"(2) CERTAIN PAYMENTS SUBJECT TO RECAPTURE.— In the case of any payments made to a taxpayer which the Secretary has determined are subject to recapture, the notice provided under paragraph (1) to such taxpayer shall include the amount of such payments.~~

~~"(k) REGULATIONS.— The Secretary shall issue such regulations or other guidance as the Secretary determines necessary or appropriate to carry out the purposes of this section.~~

~~"(l) TERMINATION.— No payments shall be made under the program established under subsection (a) with respect to any month beginning after December 31, 2025."~~

~~(c) SUSPENSION OF CHILD TAX CREDIT DURING PERIOD THAT MONTHLY CHILD TAX CREDIT IS IN EFFECT.—~~

Section 24 is amended by adding at the end the following new subsection:

~~"(l) COORDINATION WITH MONTHLY CHILD TAX CREDIT.— This section shall not apply to (and no payment shall be made under subsection (k) with respect to) any taxable year beginning after December 31, 2022, and before January 1, 2026."~~

~~(d) CONFORMING AMENDMENTS.—~~

~~(1) Section 26(b)(2) is amended by striking "and" at the end of subparagraph (Y), by striking the period at the end of subparagraph (Z) and inserting ", and", and by adding at the end the following new subparagraph:~~

~~"(AA) section 24A(g)(2) (relating to recapture of certain monthly advance child payments)."~~

~~(2) Section 152(f)(6)(B)(ii) is amended to read as follows:~~

~~"(ii) the credits under sections 24, 24A, and 24B and the payments under sections 7527A and 7527B,"~~

~~(3) Section 3402(f)(1)(C) is amended by inserting "or section 24A (determined after application of subsection (g) thereof)" after "section 24 (determined after application of subsection (j) thereof)".~~

~~(4) Section 6103(l)(13)(A)(v) is amended by insert "or section 24A, as the case may be" after "section 24".~~

~~(5) Section 6211(b)(4)(A) is amended by inserting "24A by reason of subsection (d) thereof," after "24 by reason of subsections (d) and (i)(1) thereof,"~~

~~(6) Section 6213(g)(2)(l) is amended by inserting "or section 24A(e) (relating to monthly child tax credit)" after "section 24(e) (relating to child tax credit)".~~

~~(7) Section 6213(g)(2)(L) is amended by inserting "24A," after "24,"~~

~~(8) Section 6213(g)(2)(P) is amended —~~

~~(A) by inserting "or 24A(f)(2)" after "section 24(g)(2)",~~

~~(B) by inserting "or 24A" after "under section 24", and~~

~~(C) by striking "subsection (g)(1) thereof" and inserting "section 24(g)(1) or section 24A(f)(1), respectively".~~

~~(9) Section 6695(g)(2) is amended by inserting "24A," after "24,".~~

~~(10) Paragraph (2) of section 1324(b) of title 31, United States Code, as amended by the preceding provisions of this Act, is amended—~~

~~(A) by inserting "24A," after "24," and~~

~~(B) by inserting "7527B," after "7527A,".~~

~~(11) The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 24 the following new items:~~

~~"Sec. 24A. Monthly child tax credit.~~

~~Sec. 24B. Credit for certain other dependents."~~

~~(12) The table of sections for chapter 77 is amended by inserting after the item relating to section 7527A the following new item:~~

~~"Sec. 7527B. Monthly payments of child tax credit."~~

~~(e) EFFECTIVE DATES.—~~

~~(1) IN GENERAL.— Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2022.~~

~~(2) MONTHLY ADVANCE CHILD PAYMENTS.— The amendments made by subsection (b) shall apply to payments made for calendar months beginning after December 31, 2022.~~

**\* Sec. 137105. Appropriations**

~~Immediately upon the enactment of this Act, in addition to amounts otherwise available, there are appropriated out of any money in the Treasury not otherwise appropriated:~~

~~(1) \$0,000,000,000 to remain available until September 30, 2026, for necessary expenses for the Internal Revenue Service to administer the Child Tax Credit, and advance payments of the Child Tax Credit, including the costs of disbursing such payments, which shall supplement and not supplant any other appropriations that may be available for this purpose, and~~

~~(2) \$1,000,000,000 is appropriated to the Department of the Treasury, to remain available until September 30, 2026, to support efforts to increase enrollment of eligible families in the Child Tax Credit, for advance payments of the Child Tax Credit, and for other tax benefits, including but not limited to program outreach, costs of data sharing arrangements, systems changes, forms changes, and related efforts, and efforts by federal agencies to facilitate the cross-enrollment of beneficiaries of other programs in the Child Tax Credit, and for advance payments of the Child Tax Credit, including by establishing intergovernmental cooperative agreements with states and local governments, tribal governments,<sup>(1)</sup> and possessions of the United States: Provided, that such amount shall be available in addition to any amounts otherwise available: Provided~~

further, that these funds may be awarded by federal agencies to state and local governments, tribal governments, and possessions of the United States, and private entities, including organizations dedicated to free tax return preparation:

**\* Sec. 137202. Increase in exclusion for employer-provided dependent care assistance made permanent**

(a) ~~IN GENERAL.~~—Section 129(a)(2)(A) is amended by striking "\$5,000 (\$2,500" and inserting "\$10,500 (half such dollar amount)".

(b) ~~INFLATION ADJUSTMENT.~~—

Section 129(e) is amended by adding at the end the following new paragraph:

"(10) ~~INFLATION ADJUSTMENT.~~—

"(A) ~~IN GENERAL.~~—In the case of any taxable year beginning after December 31, 2021, the \$10,500 amount in subsection (a)(2)(A) shall be increased by an amount equal to—

"(i) such dollar amount, multiplied by

"(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2020' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

"(B) ~~ROUNDING.~~—If any increase determined under subparagraph (A) is not a multiple of \$100, such amount shall be rounded to the nearest multiple of \$100."

(c) ~~CONFORMING AMENDMENT.~~—Section 129(a)(2) is amended by striking subparagraph (D).

(d) ~~EFFECTIVE DATE.~~—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

(e) ~~RETROACTIVE PLAN AMENDMENTS.~~—A plan that otherwise satisfies all applicable requirements of sections 125 and 129 of the Internal Revenue Code of 1986 (including any rules or regulations thereunder) shall not fail to be treated as a cafeteria plan or dependent care assistance program merely because such plan is amended pursuant to a provision under this subsection and such amendment is retroactive, if—

(1) such amendment is adopted no later than the last day of the plan year in which the amendment is effective, and

(2) the plan is operated consistent with the terms of such amendment during the period beginning on the effective date of the amendment and ending on the date the amendment is adopted.

**\* Sec. 137304. Payroll tax credit for child care workers**

(a) ~~IN GENERAL.~~—

Subchapter D of chapter 21 is amended by adding at the end the following:

**"Sec. 3125. Payroll credit for certain wages paid to child care workers**

"(a) ~~IN GENERAL.~~—<sup>(1)</sup>In the case of an eligible child care employer, there shall be allowed as a credit against applicable employment taxes for each calendar quarter an amount equal to

50 percent of the qualified child care wages paid with respect to each eligible employee of such employer for such calendar quarter.

~~“(b) LIMITATIONS AND REFUNDABILITY.—~~

~~“(1) LIMITATION ON WAGES TAKEN INTO ACCOUNT.— The amount of qualified child care wages with respect to any eligible employee which may be taken into account under subsection (a) by the eligible child care employer for any calendar quarter shall not exceed \$2,500.~~

~~“(2) CREDIT LIMITED TO CERTAIN EMPLOYMENT TAXES.— The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the applicable employment taxes (reduced by any credits allowed under sections 3131, 3132, 3134, and 6432) on the wages paid with respect to the employment of all the employees of the eligible child care employer for such calendar quarter.~~

~~“(3) REFUNDABILITY OF EXCESS CREDIT.—~~

~~“(A) CREDIT IS REFUNDABLE.— If the amount of the credit under subsection (a) exceeds the limitation of paragraph (2) for any calendar quarter, such excess shall be treated as an overpayment that shall be refunded under sections 6402(a) and 6443(b).~~

~~“(B) ADVANCING CREDIT.— In anticipation of the credit, including the refundable portion under subparagraph (A), the credit shall be advanced, according to forms and instructions provided by the Secretary, up to an amount calculated under subsection (a), subject to the limits under paragraph (1), all calculated through the end of the most recent payroll period in the quarter.~~

~~“(c) ELIGIBLE CHILD CARE EMPLOYER.— For purposes of this section, the term ‘eligible child care employer’ means any employer which operates one or more qualified child care facilities.~~

~~“(d) QUALIFIED CHILD CARE FACILITY.— For purposes of this section, the term ‘qualified child care facility’ means any facility which is certified as an HHS Participating Child Care Provider by the Secretary of Health and Human Services under section 418A(e) of the Social Security Act.~~

~~“(e) ELIGIBLE EMPLOYEE.— For purposes of this section, the term ‘eligible employee’ means, with respect to any eligible child care employer for any calendar quarter, any employee of such employer if—~~

~~“(1) the aggregate wages paid to such employee for such quarter do not exceed 25 percent of the dollar amount in effect for such quarter under section 414(q)(1)(B)(i) (relating to highly compensated employees); and~~

~~“(2) the aggregate wages paid to such employee for the 1-year period ending with the close of such quarter do not exceed 100 percent of such dollar amount.~~

~~“(f) QUALIFIED CHILD CARE WAGES.— For purposes of this section—~~

~~“(1) IN GENERAL.— The term ‘qualified child care wages’ means, with respect to any eligible employee for any calendar quarter, so much of the child care wages paid by the eligible child care employer to such employee during such quarter as are paid at a rate in~~

excess of the applicable minimum rate. Such term shall not include any wages paid by an eligible child care employer during any period during which the certification described in subsection (d) is not in effect.

~~"(2) APPLICABLE MINIMUM RATE.— The term 'applicable minimum rate' means, with respect to wages paid to any eligible employee, the rate of basic pay which is payable for GS-3, step 1 of the General Schedule under subchapter III of chapter 53 of title 5, United States Code (including any applicable locality-based comparability payment under section 5304 of such title, or similar authority) at the time such wages are paid and determined with respect to the locality in which the services are provided.~~

~~"(3) CHILD CARE WAGES.— The term 'child care wages' means wages paid for the services of the employee to provide child care at a qualified child care facility or to provide support services for such a facility.~~

~~"(4) EXCEPTION.— The term 'child care wages' shall not include any wages taken into account under section 41, 45A, 45P, 45R, 51, 1396, 3131, 3132, 3134, or 6432.~~

~~"(g) OTHER DEFINITIONS AND SPECIAL RULES.— For purposes of this section—~~

~~"(1) APPLICABLE EMPLOYMENT TAXES.— The term 'applicable employment taxes' means the following:~~

~~"(A) The taxes imposed under section 3111(b).~~

~~"(B) So much of the taxes imposed under section 3221(a) as are attributable to the rate in effect under section 3111(b).~~

~~"(2) WAGES.—~~

~~"(A) IN GENERAL.— The term 'wages' means wages (as defined in section 3121(a)), determined without regard to paragraphs (1) through (22) of section 3121(b)) and compensation (as defined in section 3231(e), determined without regard to the sentence in paragraph (1) thereof which begins 'Such term does not include remuneration').~~

~~"(B) ALLOWANCE FOR CERTAIN HEALTH PLAN EXPENSES.—~~

~~"(i) IN GENERAL.— Such term shall include amounts paid by the eligible child care employer to provide and maintain a group health plan (as defined in section 5000(b)(1)), but only to the extent that such amounts are excluded from the gross income of employees by reason of section 106(a).~~

~~"(ii) ALLOCATION RULES.— For purposes of this section, amounts treated as wages under clause (i) shall be treated as paid with respect to any eligible employee (and with respect to any period) to the extent that such amounts are properly allocable to such employee (and to such period) in such manner as the Secretary may prescribe. Except as otherwise provided by the Secretary, such allocation shall be treated as properly made if made on the basis of being pro rata among periods of coverage.~~

~~"(3) OTHER TERMS.— Any term used in this section which is also used in this chapter of chapter 22 shall have the same meaning as when used in such chapter.~~

~~"(4) DENIAL OF DOUBLE BENEFIT.— For purposes of chapter 1, the gross income of the employer, for the taxable year which includes the last day of any calendar quarter with respect to which a credit is allowed under this section, shall be increased by the amount of such credit.~~

~~"(5) ELECTION TO NOT TAKE CERTAIN WAGES INTO ACCOUNT.— This section shall not apply to so much of the qualified child care wages paid by an eligible child care employer as such employer elects (at such time and in such manner as the Secretary may prescribe) to not take into account for purposes of this section:~~

~~"(6) CERTAIN GOVERNMENTAL EMPLOYERS.— No credit shall be allowed under this section to the Government of the United States or to any agency or instrumentality thereof. The preceding sentence shall not apply to any organization described in section 501(c)(1) and exempt from tax under section 501(a):~~

~~"(7) COORDINATION WITH CERTAIN PROGRAMS.—~~

~~"(A) IN GENERAL.— This section shall not apply to so much of the qualified child care wages paid by an eligible child care employer as are taken into account as payroll costs in connection with—~~

~~"(i) a covered loan under section 7(a)(37) or 7A of the Small Business Act,~~

~~"(ii) a grant under section 324 of the Economic Aid to Hard-Hit Small Businesses, Non-Profits, and Venues Act, or~~

~~"(iii) a restaurant revitalization grant under section 5003 of the American Rescue Plan Act of 2021.~~

~~"(B) APPLICATION WHERE PPP LOANS NOT FORGIVEN.— The Secretary shall issue guidance providing that payroll costs paid during the covered period shall not fail to be treated as qualified child care wages under this section by reason of subparagraph (A)(i) to the extent that—~~

~~"(i) a covered loan of the taxpayer under section 7(a)(37) of the Small Business Act is not forgiven by reason of a decision under section 7(a)(37)(J) of such Act, or~~

~~"(ii) a covered loan of the taxpayer under section 7A of the Small Business Act is not forgiven by reason of a decision under section 7A(g) of such Act.~~

~~Terms used in the preceding sentence which are also used in section 7A(g) or 7(a)(37)(J) of the Small Business Act shall, when applied in connection with either such section, have the same meaning as when used in such section, respectively.~~

~~"(8) AGGREGATION RULE.— All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (m) or (o) of section 414, shall be treated as one employer for purposes of this section.~~

~~"(9) THIRD PARTY PAYORS.— Any credit allowed under this section shall be treated as a credit described in section 3511(d)(2).~~

~~"(10) INFLATION ADJUSTMENT.—<sup>(1)</sup> In the case of any taxable year beginning after December 31, 2022, the \$2,500 amount in subsection (b)(1) shall be increased by an~~

amount equal to—

~~"(A) such dollar amount, multiplied by~~

~~"(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2021' for 'calendar year 2016' in subparagraph (A)(ii) thereof.~~

~~If any amount as adjusted under the preceding sentence is not a multiple of \$100, such amount shall be rounded to the nearest multiple of \$100.~~

~~"(h) REGULATIONS.— The Secretary shall prescribe such regulations or other guidance as may be necessary to carry out the purposes of this section, including—~~

~~"(1) regulations or other guidance to prevent the avoidance of the purposes of the limitations under this section,~~

~~"(2) regulations or other guidance to minimize compliance and record-keeping burdens under this section,~~

~~"(3) regulations or other guidance providing for waiver of penalties for failure to deposit amounts in anticipation of the allowance of the credit allowed under this section,~~

~~"(4) regulations or other guidance for recapturing the benefit of credits determined under this section in cases where there is a subsequent adjustment to the credit determined under subsection (a),~~

~~"(5) regulations or other guidance to permit the advancement of the credit determined under subsection (a), and~~

~~"(6) regulations or other guidance for applying subsection (f) with respect to eligible employees not paid at a single rate of pay."~~

~~(b) REFUNDS.— Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting "3135," after "3134,".~~

~~(c) CLERICAL AMENDMENT.—~~

~~The table of sections for subchapter D of chapter 21 is amended by adding at the end the following:~~

~~"Sec. 3135. Payroll credit for certain wages paid to child care workers."~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to calendar quarters beginning after December 31, 2021.~~

**\* Sec. 137302. Credit for caregiver expenses**

~~(a) IN GENERAL.—~~

~~Subpart A of part IV of subchapter A of chapter 1 is amended by inserting after section 25D the following new section:~~

**~~"Sec. 25E. Credit for caregiver expenses~~**

~~"(a) ALLOWANCE OF CREDIT.— In the case of an individual for whom there are 1 or more qualified care recipients, there shall ~~be~~ allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to 50 percent of the qualified expenses paid or~~

incurred by such individual during the taxable year (and not compensated for by insurance or otherwise).

~~"(b) QUALIFIED CARE RECIPIENT.— For purposes of this section—~~

~~"(1) IN GENERAL.— The term 'qualified care recipient' means, with respect to any taxable year, any individual who—~~

~~"(A) is the spouse of the taxpayer, or any other person who bears a relationship to the taxpayer described in any of subparagraphs (A) through (H) of section 152(d) (2);~~

~~"(B) has been certified, before the due date for filing the return of tax for the taxable year, by a licensed health care practitioner (as defined in section 7702B(c) (4)) as being an individual with long-term care needs (as defined in paragraph (3)) for a period—~~

~~"(i) which is expected to be at least 180 consecutive days, and~~

~~"(ii) a portion of which occurs within the taxable year, and~~

~~"(C) resides in a personal residence and not an institutional care facility.~~

~~"(2) PERIOD FOR MAKING CERTIFICATION.— Notwithstanding paragraph (1)(B), a certification shall not be treated as valid unless it is made within the 18-month period ending on such due date (or such other period as the Secretary prescribes).~~

~~"(3) INDIVIDUALS WITH LONG-TERM CARE NEEDS.— For purposes of this subsection, the term 'individual with long-term care needs' means any individual who meets the requirements of any of the following subparagraphs:~~

~~"(A) The individual is at least 6 years of age and—~~

~~"(i) is unable to perform (without substantial assistance from another individual) at least 2 activities of daily living (as defined in section 7702B(c)(2) (B)) due to a loss of functional capacity; or~~

~~"(ii) requires substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment and is unable to perform, without reminding or cuing assistance, at least 1 activity of daily living (as so defined) or, to the extent provided in regulations prescribed by the Secretary (in consultation with the Secretary of Health and Human Services), is unable to engage in age appropriate activities.~~

~~"(B) The individual is at least 2 but not 6 years of age and is unable, due to a loss of functional capacity, to perform (without substantial assistance from another individual) at least 2 of the following activities:~~

~~"(i) Eating;~~

~~"(ii) Transferring;~~

~~"(iii) Mobility;~~

~~"(C) The individual is under 2 years of age and requires specific durable medical equipment by reason of a severe health condition or requires a skilled practitioner~~



~~trained to address the individual's condition to be available if the individual's parents or guardians are absent.~~

~~"(4) INSTITUTIONAL CARE FACILITY.— For purposes of paragraph (1)(C), an institutional care facility (including two or more places, establishments, or institutions owned by the same legal entity) includes any congregate, protected living residential arrangement that provides or coordinates personal or health care services, including assistance with the activities of daily living and social care, for two or more adults who are aged, infirm, or disabled~~

~~"(c) QUALIFIED EXPENSES.— For purposes of this section —~~

~~"(1) IN GENERAL.— The term 'qualified expenses' means expenses for goods, services, and supports described in paragraph (2) which —~~

~~"(A) assist a qualified care recipient with accomplishing activities of daily living (as defined in section 7702B(e)(2)(B)) and instrumental activities of daily living (as defined in section 1915(k)(6)(F) of the Social Security Act), and~~

~~"(B) are provided solely for use by such qualified care recipient.~~

~~"(2) ITEMS DESCRIBED.— The goods, services, and supports described in this paragraph are —~~

~~"(A) human assistance, supervision, cuing, and standby assistance,~~

~~"(B) health maintenance tasks (such as medication management),~~

~~"(C) respite care,~~

~~"(D) assistive technologies and devices (including remote health monitoring),~~

~~"(E) accessibility modifications of the qualified care recipient's residence,~~

~~"(F) counseling, support groups, or training relating to caring for a qualified care recipient, and~~

~~"(G) any other items which directly relate to the health and safety of a qualified care recipient, as determined by the Secretary after consultation with the Secretary of Health and Human Services.~~

~~"(3) DOLLAR LIMITATION.— The amount taken into account as qualified expenses for any taxable year shall not exceed \$4,000.~~

~~"(4) DENIAL OF DOUBLE BENEFIT.— Amounts taken into account for purposes of section 21, 129, 213, or 223(f), or such other circumstances as may be provided by the Secretary, shall not be taken into account as qualified expenses.~~

~~"(5) DOCUMENTATION REQUIREMENT.— An expense shall not be treated as a qualified expense unless the taxpayer substantiates such expense under such regulations or guidance as the Secretary shall provide.~~

~~"(d) CREDIT PHASEOUT.— The 50 percent rate under subsection (a) shall be reduced by 4 percentage point for every \$2,500 or fraction thereof by which the taxpayer's adjusted gross income exceeds \$75,000.~~

~~"(c) SPECIAL RULES.— For purposes of this section —~~

~~"(1) PAYMENTS TO RELATED INDIVIDUALS.— Rules similar to the rules of section 21(e)(6) shall apply.~~

~~"(2) LICENSED HEALTH CARE PRACTITIONER.—~~

~~"(A) IN GENERAL.— The licensed health care practitioner making the certification for purposes of subsection (b)(1)(B)—~~

~~"(i) shall not be related (within the meaning of section 51(i)(1)) to the taxpayer or the qualified care recipient, or have a conflict of interest (as determined under regulations provided by the Secretary) with respect to the taxpayer or the qualified care recipient;~~

~~"(ii) shall be licensed and eligible under applicable State law to certify limitations in performing activities of daily living; and~~

~~"(iii) shall be a participant in the Medicaid program, pursuant to sections 1902(a)(77) and 1932(d)(6) of the Social Security Act, or the State Children's Health Insurance Program under section 2107(e)(1)(C) of such Act.~~

~~"(B) IDENTIFICATION REQUIREMENT.—~~

~~"(i) IN GENERAL.— No credit shall be allowed with respect to any qualified care recipient unless the taxpayer includes the name and specified provider identification number of such licensed health care practitioner on the return of tax for the taxable year.~~

~~"(ii) SPECIFIED PROVIDER IDENTIFICATION NUMBER.— The term 'specified provider identification number' means a valid National Provider Identifier as authorized in section 1173 of the Social Security Act.~~

~~"(3) INDIVIDUAL MAY NOT BE CLAIMED BY MORE THAN 1 TAXPAYER.— An individual shall be treated as a qualified care recipient with respect to only 1 taxpayer, as determined by the Secretary, for any taxable year.~~

~~"(4) IDENTIFICATION REQUIREMENT.— No credit shall be allowed with respect to any qualified care recipient unless the taxpayer includes the name and taxpayer identification number of the qualified care recipient on the return of tax for the taxable year.~~

~~"(f) TERMINATION.— No credit shall be allowed under this section for any taxable year beginning after December 31, 2025."~~

~~(b) MATH ERROR AUTHORITY.—~~

~~Section 6213(g)(2), as amended by the preceding provisions of this Act, is amended by striking "and" at the end of subparagraph (T), by striking the period at the end of subparagraph (U) and inserting ", and", and by inserting after subparagraph (U) the following new subparagraph:~~

~~"(V) an omission of a correct TIN required under section 25E(e)(4) or a correct specified provider identification number required under section 25E(e)(2)(B)."~~

~~(c) CLERICAL AMENDMENT.—~~

~~The table of sections for subpart A of part IV of subchapter A of chapter 1 is amended by inserting after the item relating to section 25D the following new item:~~

~~"Sec. 25E. Credit for caregiver expenses."~~

~~(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* Sec. 137401. Certain improvements to the earned income tax credit made permanent**

~~(a) DECREASE IN MINIMUM AGE REQUIREMENT.—~~

~~(1) IN GENERAL.—Section 32(c)(1)(A)(ii)(II) is amended by striking "age 25" and inserting "the applicable minimum age".~~

~~(2) APPLICABLE MINIMUM AGE.—Section 32(c) is amended by adding at the end the following new paragraph:~~

~~"(5) APPLICABLE MINIMUM AGE.—~~

~~"(A) IN GENERAL.—The term 'applicable minimum age' means—~~

~~"(i) except as otherwise provided in this subparagraph, age 19,~~

~~"(ii) in the case of a specified student (other than a qualified former foster youth or a qualified homeless youth), age 24, and~~

~~"(iii) in the case of a qualified former foster youth or a qualified homeless youth, age 18.~~

~~"(B) SPECIFIED STUDENT.—For purposes of this paragraph, the term 'specified student' means, with respect to any taxable year, an individual who is an eligible student (as defined in section 25A(b)(3)) during at least 5 calendar months during the taxable year.~~

~~"(C) QUALIFIED FORMER FOSTER YOUTH.—For purposes of this paragraph, the term 'qualified former foster youth' means an individual who—~~

~~"(i) on or after the date that such individual attained age 14, was in foster care provided under the supervision or administration of an entity administering (or eligible to administer) a plan under part B or part E of title IV of the Social Security Act (without regard to whether Federal assistance was provided with respect to such child under such part E), and~~

~~"(ii) provides (in such manner as the Secretary may provide) consent for entities which administer a plan under part B or part E of title IV of the Social Security Act to disclose to the Secretary information related to the status of such individual as a qualified former foster youth.~~

~~"(D) QUALIFIED HOMELESS YOUTH.—For purposes of this paragraph, the term 'qualified homeless youth' means, with respect to any taxable year, an individual who certifies, in a manner as provided by the Secretary, that such individual is either an unaccompanied youth who is a homeless child or youth, or is unaccompanied, at risk of homelessness, and self-supporting."~~

~~(b) ELIMINATION OF MAXIMUM AGE FOR CREDIT.—Section 32(c)(1)(A)(ii)(II) is amended by striking "but not attained age 65". (l)~~

~~(c) INCREASE IN CREDIT AND PHASEOUT PERCENTAGES.—~~ The table contained in section 32(b)(1) is amended by striking "7.65" each place it appears therein and inserting "15.3".

~~(d) INCREASE IN EARNED INCOME AND PHASEOUT AMOUNTS.—~~

~~(1) IN GENERAL.—~~ The table contained in section 32(b)(2)(A) is amended—

~~(A) by striking "\$4,220" and inserting "\$9,820", and~~

~~(B) by striking "\$5,280" and inserting "\$11,610".~~

~~(2) APPLICATION OF INFLATION ADJUSTMENT.—~~ Section 32(j)(1) is amended—

~~(A) by striking "(2021 in the case of the dollar amount in subsection (i)(1))" and inserting "(2021 in the case of the \$9,820 and \$11,610 amounts in subsection (b)(2)(A) and the \$10,000 amount in subsection (i)(1))";~~

~~(B) in subparagraph (B)(i), by inserting "(other than the \$9,820 and \$11,610 amounts)" after "subsection (b)(2)(A)", and~~

~~(C) in subparagraph (B)(iii), by inserting "the \$9,820 and \$11,610 amounts in subsection (b)(2)(A) and" before "the \$10,000 amount in subsection (i)(1)".~~

~~(e) Section 32, as amended by subsection (f), is amended by adding at the end the following new subsection:~~

~~"(n) ELECTION TO DETERMINE EARNED INCOME BASED ON PRIOR TAXABLE YEAR.—~~

~~"(1) IN GENERAL.—~~ In the case of a taxpayer whose earned income for any taxable year is less than the earned income of such taxpayer for the preceding taxable year, if such taxpayer elects (at such time and in such manner as the Secretary may provide) the application of this subsection for such taxable year, the earned income of such taxpayer for such taxable year shall be treated for purposes of this section as being equal to the earned income of such taxpayer for such preceding taxable year.

~~"(2) JOINT RETURNS.—~~ For purposes of this subsection, in the case of a joint return, the earned income of the taxpayer for the preceding taxable year shall be the sum of the earned income of each spouse for the preceding taxable year.

~~"(3) TREATMENT AS MATHEMATICAL OR CLERICAL ERROR.—~~ In the case of a taxpayer described in paragraph (1) who makes the election described in such paragraph, the use on the return for purposes of this section of an amount of earned income for the preceding taxable year which differs from the amount of such earned income as shown in the electronic files of the Internal Revenue Service shall be treated as a mathematical or clerical error for purposes of section 6213.

~~"(4) TREATMENT OF REFERENCES.—~~ Any provision of this title which defines or determines earned income by reference to this section shall be applied without regard to this subsection unless such provision specifically provides otherwise."

~~(f) REPEAL OF TEMPORARY PROVISIONS.—~~ Section 32 is amended by striking subsection (n).

~~(g) EFFECTIVE DATE.—~~ The amendments made by this section shall apply to taxable years beginning after December 31, 2021: (l)

\*

**Sec. 137501. Improve affordability and reduce premium costs of health insurance for consumers**

~~(a) INCREASE IN APPLICABLE PERCENTAGE MADE PERMANENT.—~~

Section 36B(b)(3)(A) is amended to read as follows:

~~"(A) APPLICABLE PERCENTAGE.—~~

~~The applicable percentage for any taxable year shall be the percentage such that the applicable percentage for any taxpayer whose household income is within an income tier specified in the following table shall increase, on a sliding scale in a linear manner, from the initial premium percentage to the final premium percentage specified in such table for such income tier:~~

<del>"In the case of household income (expressed as a percent of poverty line) within the following income tier:</del>	<del>The initial premium percentage is—</del>	<del>The final premium percentage is—</del>
<del>Up to 150.0 percent</del>	<del>0</del>	<del>0</del>
<del>150.0 percent up to 200.0 percent</del>	<del>0</del>	<del>2</del>
<del>200.0 percent up to 250.0 percent</del>	<del>2</del>	<del>4</del>
<del>250.0 percent up to 300.0 percent</del>	<del>4</del>	<del>6</del>
<del>300.0 percent up to 400.0 percent</del>	<del>6</del>	<del>8.5</del>
<del>400.0 percent and higher</del>	<del>8.5</del>	<del>8.5"</del>

~~(b) CREDIT ALLOWED TO TAXPAYERS WHOSE HOUSEHOLD INCOME EXCEEDS 400 PERCENT OF THE POVERTY LINE.—~~

~~(1) IN GENERAL.— Section 36B(c)(1)(A) is amended by striking "but does not exceed 400 percent".~~

~~(2) CONFORMING AMENDMENT.— Section 36B(c)(1) is amended by striking subparagraph (E).~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* Sec. 135601. Treatment of Indian Tribes as States with respect to bond issuance**

~~(a) IN GENERAL.—~~

Section 7874(c) is amended to read as follows:

~~"(c) SPECIAL RULES FOR TAX-EXEMPT BONDS.—~~

~~"(1) IN GENERAL.— In applying section 146 to bonds issued by Indian Tribal Governments the Secretary shall annually—~~

~~"(A) establish a national bond volume cap based on the greater of—~~

~~"(i) the State population formula approach in section 146(d)(1)(A) (using national Tribal population estimates supplied annually by the Department of the~~

Interior in consultation with the Census Bureau), and

~~"(ii) the minimum State ceiling amount in section 146(d)(1)(B) (as adjusted in accordance with the cost of living provision in section 146(d)(2));~~

~~"(B) allocate such national bond volume cap among all Indian Tribal Governments seeking such an allocation in a particular year under regulations prescribed by the Secretary.~~

~~"(2) APPLICATION OF GEOGRAPHIC RESTRICTION.— In the case of national bond volume cap allocated under paragraph (1), section 146(k)(1) shall not apply to the extent that such cap is used with respect to financing for a facility located on qualified Indian lands.~~

~~"(3) RESTRICTION ON FINANCING OF CERTAIN GAMING FACILITIES.— No portion of the volume cap allocated under this subsection may be used with respect to the financing of any portion of a building in which class II or class III gaming (as defined in section 4 of the Indian Gaming Regulatory Act) is conducted or housed or any property actually used in the conduct of such gaming.~~

~~"(4) DEFINITIONS AND SPECIAL RULES.— For purposes of this subsection—~~

~~"(A) INDIAN TRIBAL GOVERNMENT.— The term 'Indian Tribal Government' means the governing body of an Indian Tribe, band, nation, or other organized group or community, or of Alaska Natives, which is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians, and also includes any agencies, instrumentalities or political subdivisions thereof.~~

~~"(B) INTERTRIBAL CONSORTIUMS, ETC.— In any case in which an Indian Tribal Government has authorized an intertribal consortium, a Tribal organization, or an Alaska Native regional or village corporation, as defined in, or established pursuant to, the Alaska Native Claims Settlement Act, to plan for, coordinate or otherwise administer services, finances, functions, or activities on its behalf under this subsection, the authorized entity shall have the rights and responsibilities of the authorizing Indian Tribal Government only to the extent provided in the Authorizing resolution.~~

~~"(C) QUALIFIED INDIAN LANDS.— The term 'qualified Indian lands' shall mean an Indian reservation as defined in section 3(d) of the Indian Financing Act of 1974 (25 U.S.C. 1452(d)), including lands which are within the jurisdictional area of an Oklahoma Indian Tribe (as determined by the Secretary of the Interior) and shall include lands outside a reservation where the facility is to be placed in service in connection with—~~

~~"(i) the active conduct of a trade or business by an Indian Tribe on, contiguous to, within reasonable proximity of, or with a substantial connection to, an Indian reservation or Alaska Native village, or~~

~~"(ii) infrastructure (including roads, power lines, water systems, railroad spurs, and communication facilities) serving an Indian reservation or Alaska Native village."~~

~~(b) CONFORMING AMENDMENT.—~~

~~Subparagraph (B) of section 45(c)(9) is amended to read as follows:~~

~~"(B) INDIAN TRIBE.— For purposes of this paragraph, the term 'Indian tribe' has the meaning given the term 'Indian Tribal Government' by section 7871(c)(3)(A)."~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to obligations issued in calendar years beginning after the date of the enactment of this Act.~~

**\* Sec. 135602. New markets tax credit for Tribal Statistical Areas**

~~(a) ADDITIONAL ALLOCATIONS FOR TRIBAL STATISTICAL AREAS.—~~

~~Section 45D(f), as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:~~

~~"(5) ADDITIONAL ALLOCATIONS FOR TRIBAL STATISTICAL AREAS.—~~

~~"(A) IN GENERAL.— In the case of each calendar year after 2021, there is (in addition to any limitation under any other paragraph of this subsection) a new markets tax credit limitation of \$175,000,000 which shall be allocated by the Secretary as provided in paragraph (2) except that such limitation may only be allocated with respect to Tribal Statistical Areas.~~

~~"(B) CARRYOVER OF UNUSED TRIBAL STATISTICAL AREA LIMITATION.—~~

~~"(i) IN GENERAL.— If the credit limitation under subparagraph (A) for any calendar year exceeds the amount of such limitation allocated by the Secretary for such calendar year, such limitation for the succeeding calendar year shall be increased by the amount of such excess.~~

~~"(ii) LIMITATION ON CARRYOVER.— No amount of credit limitation may be carried under clause (i) past the 5th calendar year following the calendar year in which such amount of credit limitation arose.~~

~~"(iii) TRANSFER OF EXPIRED TRIBAL STATISTICAL AREA LIMITATION TO GENERAL LIMITATION.— In the case of any amount of credit limitation which would (but for clause (ii)) be carried under clause (i) to the 6th calendar year following the calendar year in which such amount of credit limitation arose, the new market tax credit limitation under paragraph (1) for such 6th calendar year shall be increased by the amount of such credit limitation.~~

~~"(C) TRIBAL STATISTICAL AREA.— For purposes of this paragraph, the term 'Tribal Statistical Area' means—~~

~~"(i) any low-income community which is located in any Tribal Census Tract, Oklahoma Tribal Statistical Area, Tribal Designated Statistical Area, Alaska Native Village Statistical Area, or Hawaiian Home Land, and~~

~~"(ii) any low-income community described in subsection (e)(1)(B)."~~

~~(b) ELIGIBILITY OF CERTAIN PROJECTS SERVING TRIBAL MEMBERS.—~~

~~Section 45D(e)(1) is amended to read as follows:~~

~~"(1) IN GENERAL.— The term 'low-income community' means any area—~~

~~"(A) comprising a population census tract if—~~

~~"(i) the poverty rate for such tract is at least 20 percent, or~~

~~"(ii)~~

~~"(i) in the case of a tract not located within a metropolitan area, the median family income for such tract does not exceed 80 percent of statewide median family income, or~~

~~"(ii) in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income;~~

~~"(B) which is used for a qualified active low-income community business which—~~

~~"(i) services a significant population of Tribal or Alaska Native Village members who are residents of a low-income community described in subsection (f)(5)(G)(i), and~~

~~"(ii) obtains a written statement from the relevant Indian Tribal Government (within the meaning of section 7874(e)) that documents the eligibility such project with respect to the requirement of clause (i).~~

~~Subparagraph (A)(ii) shall be applied using possession-wide median family income in the case of census tracts located within a possession of the United States."~~

~~(e) APPLICATION OF INFLATION ADJUSTMENT.— Section 45D(f)(4), as added by the preceding provisions of this Act, is amended by striking "the dollar amount paragraph (1)(H) shall be increased" and inserting "the dollar amounts in paragraphs (1)(H) and (5)(A) shall each be increased":~~

~~(d) COORDINATION WITH EXISTING CARRYOVER.—~~

~~Section 45D(f)(3), as amended by the preceding provisions of this Act, is amended to read as follows:~~

~~"(3) CARRYOVER OF UNUSED LIMITATION.— If the new markets tax credit limitation under paragraph (1) for any calendar year exceeds the amount of such limitation allocated by the Secretary under paragraph (2) for such year, such limitation for the succeeding calendar year shall be increased by the amount of such excess."~~

~~(e) REGULATORY AUTHORITY.—~~

~~Section 45D(i) is amended by striking "and" at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting ", and", and by adding at the end the following new paragraph:~~

~~"(7) which provide documentation requirements for the written statement required under subsection (c)(1)(B)(ii), and~~

~~"(8) which provide procedures for determining which projects under subsection (c)(1)(B) are qualified active low-income community businesses with respect to the populations described in such subsection. Such (8) procedures shall take into account the location needs~~



of such projects, especially with respect to projects that serve multiple tribal or Alaska Native Village communities."

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to new markets tax credit limitation determined for calendar years after December 31, 2021.

**\* Sec. 135603. Inclusion of Indian areas as difficult development areas for purposes of certain buildings**

(a) IN GENERAL.—Subclause (I) of section 42(d)(5)(B)(iii), as amended by the preceding provisions of this Act, is amended by inserting ", any Indian area" after "median gross income".

(b) INDIAN AREA.—

Clause (iii) of section 42(d)(5)(B), as amended by the preceding provisions of this Act is amended by redesignating subclause (III) as subclause (V) and by inserting after subclause (II) the following new subclauses:

"(III) INDIAN AREA.— For purposes of subclause (I), the term 'Indian area' means any Indian area (as defined in section 4(11) of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4103(11))).

"(IV) SPECIAL RULE FOR BUILDINGS IN INDIAN AREAS.— In the case of an area which is a difficult development area solely because it is an Indian area, a building shall not be treated as located in such area unless such building is assisted or financed under the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4104 et seq.) or the project sponsor is an Indian tribe (as defined in section 45A(e)(6)), a tribally designated housing entity (as defined in section 4(22) of such Act (25 U.S.C. 4103(22))), or wholly owned or controlled by such an Indian tribe or tribally designated housing entity."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to buildings placed in service after December 31, 2021.

**\* Sec. 137701. Credit for public university research infrastructure**

(a) IN GENERAL.—

Subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new section:

**"Sec. 45AA. Public university research infrastructure credit**

"(a) ALLOWANCE OF CREDIT.— For purposes of section 38, the public university research infrastructure credit determined under this section for a taxable year is an amount equal to 40 percent of the qualified cash contributions made by a taxpayer during such taxable year.

"(b) QUALIFIED CASH CONTRIBUTION.—

"(1) IN GENERAL.—

"(A) DEFINED.— For purposes of subsection (a), the qualified cash contribution for any taxable year is the aggregate amount contributed in cash by a taxpayer during such taxable year to a certified educational institution in connection with a

~~qualifying project that, but for this section, would be treated as a charitable contribution for purposes of section 170(c).~~

~~"(B) QUALIFIED CASH CONTRIBUTIONS TAKEN INTO ACCOUNT FOR PURPOSES OF CHARITABLE CONTRIBUTION LIMITATIONS.— Any qualified cash contributions made by a taxpayer under this section shall be taken into account for purposes of determining the percentage limitations under section 170(b).~~

~~"(2) DESIGNATION REQUIRED.— A contribution shall only be treated as a qualified cash contribution to the extent that it is designated as such by a certified educational institution under subsection (d).~~

~~"(c) DEFINITIONS.— For purposes of this section—~~

~~"(1) QUALIFYING PROJECT.— The term 'qualifying project' means a project to purchase, construct, or improve research infrastructure property.~~

~~"(2) RESEARCH INFRASTRUCTURE PROPERTY.— The term 'research infrastructure property' means any portion of a property, building, or structure of an eligible educational institution, or any land associated with such property, building, or structure, that is used for research.~~

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

~~"(A) an institution of higher education (as such term is defined in section 101 or 102(c) of the Higher Education Act of 1965) that is a college or university described in section 541(a)(2)(B), or~~

~~"(B) an organization described in section 170(b)(1)(A)(iv) or section 509(a)(3) to which authority has been delegated by an institution described in subparagraph (A) for purposes of applying for or administering credit amounts on behalf of such institution.~~

~~"(4) CERTIFIED EDUCATIONAL INSTITUTION.— The term 'certified educational institution' means an eligible educational institution which has been allocated a credit amount for a qualifying project and—~~

~~"(A) has received a certification for such project under subsection (d)(2), and~~

~~"(B) designates credit amounts to taxpayers for qualifying cash contributions toward such project under subsection (d)(4).~~

~~"(d) QUALIFYING UNIVERSITY RESEARCH INFRASTRUCTURE PROGRAM.—~~

~~"(1) ESTABLISHMENT.—~~

~~"(A) IN GENERAL.— Not later than 180 days after the date of the enactment of this section, the Secretary, after consultation with the Secretary of Education, shall establish a program to—~~

~~"(i) certify and allocate credit amounts for qualifying projects to eligible educational institutions, and~~

~~"(ii) allow certified educational institutions to designate cash contributions for qualifying projects of such certified educational institutions as qualified cash contributions.~~

~~"(B) LIMITATIONS.—~~

~~"(i) ALLOCATION LIMITATION PER INSTITUTION.— The credit amounts allocated to a certified educational institution under subparagraph (A)(i) for all projects shall not exceed \$50,000,000 per calendar year.~~

~~"(ii) OVERALL ALLOCATION LIMITATION.—~~

~~"(I) IN GENERAL.— The total amount of qualifying project credit amounts that may be allocated under subparagraph (A)(i) shall not exceed—~~

~~"(aa) \$500,000,000 for each of calendar years 2022, 2023, 2024, 2025, and 2026, and~~

~~"(bb) \$0 for each subsequent year.~~

~~"(II) ROLLOVER OF UNALLOCATED CREDIT AMOUNTS.— Any credit amounts described in subclause (I) that are unallocated during a calendar year shall be carried to the succeeding calendar year and added to the limitation allowable under such subclause for such succeeding calendar year.~~

~~"(iii) DESIGNATION LIMITATION.— The aggregate amount of cash contributions which are designated by a certified educational institution as qualifying cash contributions with respect to any qualifying project shall not exceed 250 percent of the credit amount allocated to such certified educational institution for a qualifying project under subparagraph (A)(i).~~

~~"(2) CERTIFICATION APPLICATION.— Each eligible educational institution which applies for certification of a project under this paragraph shall submit an application in such time, form, and manner as the Secretary may require.~~

~~"(3) SELECTION CRITERIA FOR ALLOCATIONS TO ELIGIBLE EDUCATIONAL INSTITUTIONS.— The Secretary, after consultation with the Secretary of Education, shall select applications from eligible educational institutions—~~

~~"(A) based on the extent of the expected expansion of an eligible educational institution's targeted research within disciplines in science, mathematics, engineering, and technology, and~~

~~"(B) in a manner that ensures consideration is given to eligible educational institutions with full-time student populations of less than 12,000.~~

~~"(4) DESIGNATION OF QUALIFIED CASH CONTRIBUTIONS TO TAXPAYERS.— The Secretary, after consultation with the Secretary of Education, shall establish a process by which certified educational institutions shall designate cash contributions to such institutions as qualified cash contributions.~~

~~"(5) DISCLOSURE OF ALLOCATIONS AND DESIGNATIONS.—~~

~~"(A) ALLOCATIONS.— The Secretary shall, upon allocating credit amounts to an applicant under this subsection, publicly disclose the identity of the applicant and the credit amount allocated to such applicant.~~

~~"(B) DESIGNATIONS.— Each certified educational institution shall, upon designating contributions of a taxpayer as qualified cash contributions under this~~

~~subsection, publicly disclose the identity of the taxpayer and the amount of contributions designated in such time, form, and manner as the Secretary may require.~~

~~"(e) REGULATIONS AND GUIDANCE.—The Secretary, after consultation with the Secretary of Education when applicable, shall prescribe such regulations and guidance as may be necessary or appropriate to carry out the purposes of this section, including regulations for—~~

~~"(1) prevention of abuse;~~

~~"(2) establishment of reporting requirements;~~

~~"(3) establishment of selection criteria for applications, and~~

~~"(4) disclosure of allocations.~~

~~"(f) PENALTY FOR NONCOMPLIANCE.—~~

~~"(1) IN GENERAL.—If at any time during the 5-year period beginning on the date of the allocation of credit amounts to a certified educational institution under subsection (d)(1)(A)(i) there is a noncompliance event with respect to such credit amounts, then the following rules shall apply:~~

~~"(A) GENERAL RULE.—Any cash contribution designated as a qualifying cash contribution with respect to a qualifying project for which such credit amounts were allocated under subsection (d)(1)(A)(ii) shall be treated as unrelated business taxable income (as defined in section 512) of such certified educational institution.~~

~~"(B) RULE FOR UNUSED CREDIT AMOUNTS.—In the case of unused credit amounts described under paragraph (2)(A) and identified pursuant to subsection (g), the Secretary shall reallocate any portion of such unused credit amounts to certified educational institutions in lieu of imposing the general rule under subparagraph (A).~~

~~"(2) NONCOMPLIANCE EVENT.—For purposes of this subsection, the term 'noncompliance event' means, with respect to a credit amount allocated to a certified educational institution—~~

~~"(A) cash contributions equaling the amount of such credit amount are not designated as qualifying cash contributions within 2 years after December 31 of the year such credit amount is allocated;~~

~~"(B) a qualifying project with respect to which such credit amount was allocated is not placed in service within either—~~

~~"(i) 4 years after December 31 of the year such credit amount is allocated;~~

~~or~~

~~"(ii) a period of time that the Secretary determines is appropriate, or~~

~~"(C) the research infrastructure property placed in service as part of a qualifying project with respect to which such credit amount was allocated ceases to be used for research within five years after such property is placed in service.~~

~~"(g) REVIEW AND REALLOCATION OF CREDIT AMOUNTS.—~~

~~"(1) REVIEW.—Not later than 5 years after the date of enactment of this section, the Secretary shall review the credit amounts allocated under this section as of such date.~~

~~"(2) REALLOCATION.—~~

~~"(A) IN GENERAL.—The Secretary may reallocate credit amounts allocated under this section if the Secretary determines, as of the date of the review in paragraph (1), that such credit amounts are subject to a noncompliance event.~~

~~"(B) ADDITIONAL PROGRAM.—If the Secretary determines that credits under this section are available for reallocation pursuant to the requirements set forth in subparagraph (A), the Secretary is authorized to conduct an additional program for applications for certification.~~

~~"(C) DEADLINE FOR REALLOCATION.—The Secretary shall not certify any project, or reallocate any credit amount, pursuant to this paragraph after December 31, 2031.~~

~~"(h) DENIAL OF DOUBLE BENEFIT.—No credit or deduction shall be allowed under any other provision of this chapter for any qualified cash contribution for which a credit is allowed under this section.~~

~~"(i) RULE FOR TRUSTS AND ESTATES.—For purposes of this section, rules similar to the rules of subsection (d) of section 52 shall apply.~~

~~"(j) TERMINATION.—This section shall not apply to qualified cash contributions made after December 31, 2033."~~

~~(b) CREDIT MADE PART OF GENERAL BUSINESS CREDIT.—~~

~~Subsection (b) of section 38, as amended by the preceding provisions of this Act, is amended by striking "plus" at the end of paragraph (38), by striking the period at the end of paragraph (39) and inserting ", plus", and by adding at the end the following new paragraph:~~

~~"(43) the public university research infrastructure credit determined under section 45AA."~~

~~(c) CLERICAL AMENDMENT.—~~

~~The table of sections for subpart D of part IV of subchapter A of chapter 1, as amended by the preceding provisions of this Act, is amended by adding at the end the following new item:~~

~~"Sec. 45AA. Public university research infrastructure credit."~~

~~(d) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified cash contributions made after December 31, 2021.~~

**\* Sec. 138101. Increase in corporate tax rate**~~(a) IN GENERAL.—~~

~~Section 11(b) is amended to read as follows:~~

~~"(b) AMOUNT OF TAX.—~~

~~"(1) IN GENERAL.—The amount of the tax imposed by subsection (a) shall be the sum of—~~

~~"(A) 18 percent of so much of the taxable income as does not exceed \$400,000;~~

~~"(B) 21 percent of so much of the taxable income as exceeds \$400,000 but does not exceed \$5,000,000, and~~

~~"(C) 26.5 percent of so much of the taxable income as exceeds \$5,000,000.~~

~~In the case of a corporation which has taxable income in excess of \$10,000,000 for any taxable year, the amount of tax determined under the preceding sentence for such taxable year shall be increased by the lesser of (i) 3 percent of such excess, or (ii) \$287,000.~~

~~"(2) CERTAIN PERSONAL SERVICE CORPORATION NOT ELIGIBLE FOR GRADUATED RATES:— Notwithstanding paragraph (1), the amount of the tax imposed by subsection (a) on the taxable income of a qualified personal service corporation (as defined in section 448(d)(2)) shall be equal to 26.5 percent of the taxable income."~~

~~(b) PROPORTIONAL ADJUSTMENT OF DEDUCTION FOR DIVIDENDS RECEIVED:—~~

~~(1) IN GENERAL.— Section 243(a)(1) is amended by striking "50 percent" and inserting "60 percent".~~

~~(2) DIVIDENDS FROM 20 PERCENT OWNED CORPORATIONS.— Section 243(c)(1) is amended—~~

~~(A) prior to amendment by subparagraph (B), by striking "65 percent" and inserting "72.5 percent", and~~

~~(B) by striking "50 percent" and inserting "60 percent".~~

~~(c) CONFORMING AMENDMENT.— Section 1561 is amended—~~

~~(1) by amending subsection (a) to read as follows:~~

~~"(a) IN GENERAL.— The component members of a controlled group of corporations on a December 31 shall, for their taxable years which include such December 31, be limited for purposes of this subtitle to—~~

~~"(1) amounts in each taxable income bracket in the subparagraphs of section 41(b)(1) which do not aggregate more than the maximum amount in each such bracket to which a corporation which is not a component member of a controlled group is entitled, and~~

~~"(2) one \$250,000 (\$150,000 if any component member is a corporation described in section 535(e)(2)(B)) amount for purposes of computing the accumulated earnings credit under section 535(e)(2) and (3).~~

~~The amounts specified in paragraph (1) shall be divided equally among the component members of such group on such December 31 unless all of such component members consent (at such time and in such manner as the Secretary shall by regulations prescribe) to an apportionment plan providing for an unequal allocation of such amounts. The amounts specified in paragraph (2) shall be divided equally among the component members of such group on such December 31 unless the Secretary prescribes regulations permitting an unequal allocation of such amounts. Notwithstanding paragraph (1), in applying the last sentence of section 11(b)(1) to such component members, the taxable income of all such component members shall be taken into account and any increase in tax under such last sentence shall be divided among such component members in the same manner as <sup>(1)</sup> amounts under paragraph (1).", and~~

~~(2) by striking "accumulated earnings credit" in the heading and inserting "certain multiple tax benefits".~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

~~(e) NORMALIZATION REQUIREMENTS.—~~

~~(1) IN GENERAL.— A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the tax reserve deficit less rapidly or to a lesser extent than such reserve would be reduced under the average rate assumption method.~~

~~(2) ALTERNATIVE METHOD FOR CERTAIN TAXPAYERS.— If, as of the first day of the taxable year that includes the date of enactment of this Act—~~

~~(A) the taxpayer was required by a regulatory agency to compute depreciation for public utility property on the basis of an average life or composite rate method; and~~

~~(B) the taxpayer's books and underlying records did not contain the vintage account data necessary to apply the average rate assumption method; the taxpayer will be treated as using a normalization method of accounting if, with respect to such jurisdiction, the taxpayer uses the alternative method for public utility property that is subject to the regulatory authority of that jurisdiction.~~

~~(3) DEFINITIONS.— For purposes of this subsection—~~

~~(A) TAX RESERVE DEFICIT.— The term "tax reserve deficit" means the excess of~~

~~(i) the amount which would be the balance in the reserve for deferred taxes (as described in section 168(i)(9)(A)(ii) of the Internal Revenue Code of 1986, or section 167(l)(3)(G)(ii) of such Code as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) if the amount of such reserve were determined by assuming that the corporate rate increases provided in the amendments made by this section were in effect for all prior periods, over~~

~~(ii) the balance in such reserve as of the day before such corporate rate increases take effect.~~

~~(B) AVERAGE RATE ASSUMPTION METHOD.— The average rate assumption method is the method under which the excess in the reserve for deferred taxes is reduced over the remaining lives of the property as used in its regulated books of account which gave rise to the reserve for deferred taxes. Under such method, if timing differences for the property reverse, the amount of the adjustment to the reserve for the deferred taxes is calculated by multiplying—~~

~~(i) the ratio of the aggregate deferred taxes for the property to the aggregate timing differences for the property as of the beginning of the period in question; by~~

~~(ii) the amount of the timing differences which reverse during such period.~~

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

~~(i) computes the tax reserve deficit on all public-utility property included in the plant account on the basis of the weighted average life or composite rate used to compute depreciation for regulatory purposes, and~~

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

~~(4) TREATMENT OF NORMALIZATION VIOLATION.—If, for any taxable year ending after the date of the enactment of this Act, the taxpayer does not use a normalization method of accounting, such taxpayer shall not be treated as using a normalization method of accounting for purposes of subsections (f)(2) and (i)(9)(C) of section 168 of the Internal Revenue Code of 1986.~~

~~(5) REGULATIONS.—The Secretary of the Treasury, or the Secretary's designee, shall issue such regulations or other guidance as may be necessary or appropriate to carry out this subsection, including regulations or other guidance to provide appropriate coordination between this subsection, section 13001(d) of Public Law 115-97, and section 203(e) of the Tax Reform Act of 1986.~~

**\* ~~Sec. 138149. Modification of rules for partnership interests held in connection with the performance of services~~**

~~(a) IN GENERAL.—~~

~~Section 1061 is amended by striking subsections (a) and (b) and inserting the following new subsections:~~

~~"(a) IN GENERAL.—If one or more applicable partnership interests are held by a taxpayer at any time during the taxable year, the taxpayer's net applicable partnership gain for such taxable year shall be treated as short-term capital gain.~~

~~"(b) NET APPLICABLE PARTNERSHIP GAIN.—For purposes of this section—~~

~~"(1) IN GENERAL.—The term 'net applicable partnership gain' means—~~

~~"(A) the taxpayer's net long-term capital gain determined by only taking into account gains and losses with respect to one or more applicable partnership interests described in subsection (a), and~~

~~"(B) any other amounts which are—~~

~~"(i) includible in the gross income of the taxpayer with respect to one or more such applicable partnership interests, and~~

~~"(ii) treated as capital gain or subject to tax at the rate applicable to capital gain.~~

~~"(2) HOLDING PERIOD EXCEPTION.—~~

~~"(A) IN GENERAL.—Net applicable partnership gain shall be determined without regard to any amount which is realized after the date that is 5 years after the latest of:~~



~~"(i) The date on which the taxpayer acquired substantially all of the applicable partnership interest with respect to which the amount is realized.~~

~~"(ii) The date on which the partnership in which such applicable partnership interest is held acquired substantially all of the assets held by such partnership.~~

~~"(iii) If the partnership described in clause (i) owns, directly or indirectly, interests in one or more other partnerships, the dates determined by applying rules similar to the rules in clauses (i) and (ii) in the case of each such other partnership.~~

~~"(B) SHORTER HOLDING PERIOD IN CERTAIN CIRCUMSTANCES.—Subparagraph (A) shall be applied by substituting '3 years' for '5 years' in the case of—~~

~~"(i) a taxpayer (other than a trust or estate) with an adjusted gross income (determined without regard to sections 911, 931 and 933) of less than \$400,000; and~~

~~"(ii) any income with respect to any applicable partnership interest that is attributable to a real property trade or business within the meaning of section 469(c)(7)(C).~~

~~"(iii) The Secretary is directed to provide guidance regarding determination of the amount described in subsection (a) as applied in paragraph (1) hereof, and any necessary and appropriate reporting by any partnership to carry out the purposes of this section.—~~

~~"(3) SECTION 83 TO NOT APPLY.—This section shall be applied without regard to section 83 and any election in effect under section 83(b).~~

~~"(4) SPECIAL RULE.—To the extent provided by the Secretary, subsection (a) shall not apply to income or gain attributable to any asset not held for portfolio investment on behalf of third party investors."~~

~~(b) MODIFICATIONS RELATED TO DEFINITION OF APPLICABLE PARTNERSHIP INTEREST.—Section 1061(c) is amended—~~

~~(1) in paragraph (1), by striking "to such other entity" and inserting "with respect to a trade or business that is not an applicable trade or business";~~

~~(2) in paragraph (3), by striking "an interest in a partnership to the extent of the partnership's proportionate interest in any of the foregoing" and inserting "except as otherwise provided by the Secretary, an interest in a partnership if such partnership has a direct or indirect interest in any of the foregoing", and~~

~~(3) in paragraph (4)—~~

~~(A) by striking "The term" and inserting "Except as otherwise provided by the Secretary, the term", and~~

~~(B) in subparagraph (A), by striking "corporation" and inserting "C corporation".~~

~~(c) RECOGNITION OF GAIN ON TRANSFERS OF APPLICABLE PARTNERSHIP INTERESTS TO UNRELATED PARTIES.—~~

~~Section 1034(d) is amended to read as follows:~~

(1)

~~"(d) TRANSFER OF APPLICABLE PARTNERSHIP INTEREST.— If a taxpayer transfers any applicable partnership interest, gain shall be recognized notwithstanding any other provision of this subtitle."~~

~~(d) REGULATIONS.—~~

~~Section 1464(e) is amended by striking the period at the end and inserting the following:~~

~~, including regulations or other guidance to—~~

~~"(1) to prevent the avoidance of the purposes of this section, including through the distribution of property by a partnership and through carry-waivers, and~~

~~"(2) to provide for the application of this section to financial instruments, contracts or interests in entities other than partnerships to the extent necessary or appropriate to carry out the purposes of this section."~~

~~(e) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* Sec. 138508. Access to self-employment income information for paid leave administration**

~~Section 6403(f) of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:~~

~~"(23) DISCLOSURE OF CERTAIN RETURN INFORMATION TO CARRY OUT PAID FAMILY AND MEDICAL LEAVE BENEFIT PROGRAM.—~~

~~"(A) IN GENERAL.— The Secretary shall, upon written request, disclose to officers and employees of the Department of the Treasury return information with respect to a taxpayer whose self-employment income is relevant in determining eligibility for, or the correct amount of, a paid family and medical leave benefit under title XXII of the Social Security Act. Such information shall be limited to—~~

~~"(i) the taxpayer identity information with respect to the taxpayer;~~

~~"(ii) the self-employment income of the taxpayer; and~~

~~"(iii) the taxable year to which such self-employment income relates.~~

~~"(B) RESTRICTION ON DISCLOSURE.— Return information disclosed under subparagraph (A) may be used by officers and employees of the Department of the Treasury solely for the purpose of administering the paid family and medical leave benefit program under title XXII of the Social Security Act.~~

~~"(C) SELF-EMPLOYMENT INCOME.— For purposes of this paragraph, the term 'self-employment income' has the meaning given such term in section 1402(b) for purposes of the taxes imposed by section 1401(b)."~~

**\* Sec. 138509. Temporary rule to allow certain S corporations to reorganize as partnerships without tax**

~~(a) IN GENERAL.— A qualified liquidation of an eligible S corporation shall be treated for purposes of the Internal Revenue Code of 1986 in the same manner as if—~~

~~(1) such liquidation were a complete liquidation described in section 332(b) of such Code, and~~

~~(2) the domestic partnership referred to in subsection (e)(2) were a corporation which is an 80-percent distributee (within the meaning of section 337(c) of such Code).~~

~~(b) ELIGIBLE S CORPORATION.— For purposes of this section, the term "eligible S corporation" means any corporation (including any predecessor corporation) that was an S corporation on May 13, 1996, and at all times thereafter through the date on which the qualified liquidation is completed.~~

~~(c) QUALIFIED LIQUIDATION.— For purposes of this section, the term "qualified liquidation" means one or more transactions occurring during the 2-year period beginning on December 31, 2021 if—~~

~~(1) such transactions constitute the complete liquidation of an eligible S corporation, and~~

~~(2) substantially all of the assets and liabilities of such eligible S corporation are, as a result of such transactions, transferred to a domestic partnership.~~

~~(d) ELECTION.— This section shall apply to any qualified liquidation only if the eligible S corporation elects the application of this section in such manner as the Secretary may require and not later than the due date for filing the return of tax under chapter 1 of such Code for the taxable year in which such liquidation is completed.~~

~~(e) APPLICATION OF RESTRICTION ON SUBSECTION S CORPORATION ELECTIONS.— In the case of any qualified liquidation to which this section applies, the domestic partnership referred to in subsection (e)(2) shall not fail to be treated as a successor corporation of the eligible S corporation for purposes of section 1362(g) of such Code.~~

~~(f) OTHER DEFINITIONS.— Terms used in this section which are also used in the Internal Revenue Code of 1986 shall have the same meaning as when used in such Code.~~

~~(g) REGULATIONS.— The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out this section.~~

**\* Sec. 138510. Treatment of certain qualified sound recording productions**

~~(a) ELECTION TO TREAT COSTS AS EXPENSES.— Section 181(a)(1) is amended by striking "qualified film or television production, and any qualified live theatrical production," and inserting "qualified film or television production, any qualified live theatrical production, and any qualified sound recording production".~~

~~(b) DOLLAR LIMITATION.—~~

~~Section 181(a)(2) is amended by adding at the end the following new subparagraph:~~

~~"(C) QUALIFIED SOUND RECORDING PRODUCTION.— Paragraph (1) shall not apply to so much of the aggregate cost of any qualified sound recording production, or to so much of the aggregate, cumulative cost of all such qualified sound recording productions in the taxable year, as exceeds \$150,000."~~

~~(c) NO OTHER DEDUCTION OR AMORTIZATION DEDUCTION ALLOWABLE.— Section 181(b) is amended by striking "qualified film or television production or any qualified live theatrical~~

production" and inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".

~~(d) ELECTION.— Section 181(c)(1) is amended by striking "qualified film or television production or any qualified live theatrical production" and inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".~~

~~(e) QUALIFIED SOUND RECORDING PRODUCTION DEFINED.—~~

~~Section 181 is amended by redesignating subsections (f) and (g) as subsections (g) and (h); respectively, and by inserting after subsection (e) the following new subsection:~~

~~"(f) QUALIFIED SOUND RECORDING PRODUCTION.— For purposes of this section, the term 'qualified sound recording production' means a sound recording (as defined in section 101 of title 17, United States Code) produced and recorded in the United States."~~

~~(f) TERMINATION.— Section 181(h) (as redesignated by subsection (e)) is amended by striking "qualified film or television production or any qualified live theatrical production" and inserting "qualified film or television production, any qualified live theatrical production, or any qualified sound recording production".~~

~~(g) BONUS DEPRECIATION.—~~

~~(1) QUALIFIED SOUND RECORDING PRODUCTION AS QUALIFIED PROPERTY.— Section 168(k)(2)(A)(i) is amended —~~

~~(A) by striking "or" at the end of subclause (IV), by adding "or" at the end of subclause (V), and by inserting after subclause (V) the following:~~

~~"(VI) which is a qualified sound recording production (as defined in subsection (f) of section 181) for which a deduction would have been allowable under section 181 without regard to subsections (a)(2) and (h) of such section or this subsection," and~~

~~(B) in subclauses (IV) and (V) (as amended) by striking "without regard to subsections (a)(2) and (g)" both places it appears and inserting "without regard to subsections (a)(2) and (h)".~~

~~(2) PRODUCTION PLACED IN SERVICE.— Section 168(k)(2)(H) is amended by striking "and" at the end of clause (i), by striking the period at the end of clause (ii) and inserting ", and", and by adding after clause (ii) the following:~~

~~"(iii) a qualified sound recording production shall be considered to be placed in service at the time of initial release or broadcast."~~

~~(h) CONFORMING AMENDMENTS.—~~

~~(1) The heading for section 181 is amended to read as follows: "Treatment of certain qualified productions."~~

~~(2) The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 181 and inserting the following new item:~~

~~"Sec. 181. Treatment of certain <sup>(1)</sup>qualified productions."~~

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

\* ~~Sec. 138511. Payment to certain individuals who dye fuel~~

~~(a) IN GENERAL.—~~

Subchapter B of chapter 65 is amended by adding at the end the following new subsection:

~~"Sec. 6433. Dyed fuel~~

~~"(a) IN GENERAL.—~~ If a person establishes to the satisfaction of the Secretary that such person meets the requirements of subsection (b) with respect to diesel fuel or kerosene, then the Secretary shall pay to such person an amount (without interest) equal to the tax described in subsection (b)(2)(A) with respect to such diesel fuel or kerosene.

~~"(b) REQUIREMENTS.—~~

~~"(1) IN GENERAL.—~~ A person meets the requirements of this subsection with respect to diesel fuel or kerosene if such person removes from a terminal eligible indelibly dyed diesel fuel or kerosene.

~~"(2) ELIGIBLE INDELIBLY DYED DIESEL FUEL OR KEROSENE DEFINED.—~~ The term 'eligible indelibly dyed diesel fuel or kerosene' means diesel fuel or kerosene—

~~"(A) with respect to which a tax under section 4081 was previously paid (and not credited or refunded), and~~

~~"(B) which is exempt from taxation under section 4082(a).~~

~~"(c) CROSS REFERENCE.—~~ For civil penalty for excessive claims under this section, see section 6675."

~~(b) CONFORMING AMENDMENTS.—~~

~~(1) Section 6206 is amended—~~

~~(A) by striking "or 6427" each place it appears and inserting "6427, or 6433", and~~

~~(B) by striking "6420 and 6421" and inserting "6420, 6421, and 6433".~~

~~(2) Section 6430 is amended—~~

~~(A) by striking "or" at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting "or", and by adding at the end the following new paragraph:~~

~~"(4) which are removed as eligible indelibly dyed diesel fuel or kerosene under section 6433."~~

~~(3) Section 6675 is amended—~~

~~(A) in subsection (a), by striking "or 6427 (relating to fuels not used for taxable purposes)" and inserting "6427 (relating to fuels not used for taxable purposes), or 6433 (relating to eligible indelibly dyed fuel)", and~~

~~(B) in subsection (b)(1), by striking "6421, or 6427," and inserting "6421, 6427, or 6433".~~

~~(4) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:~~

~~"Sec. 6433. Dyed fuel."~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to eligible indelibly dyed diesel fuel or kerosene removed on or after the date that is 180 days after the date of the enactment of this section.~~

**\* ~~Sec. 138512. Extension of credit for portion of employer social security taxes paid with respect to employee tips to beauty service establishments~~**

~~(a) EXTENSION OF TIP CREDIT TO BEAUTY SERVICE BUSINESS.—~~

~~(1) IN GENERAL.— Section 45B(b)(2) is amended to read as follows:~~

~~"(2) APPLICATION ONLY TO CERTAIN LINES OF BUSINESS.— In applying paragraph (1), there shall be taken into account only tips received from customers or clients in connection with the following services:~~

~~"(A) The providing, delivering, or serving of food or beverages for consumption, if the tipping of employees delivering or serving food or beverages by customers is customary.~~

~~"(B) The providing of beauty services to a customer or client if the tipping of employees providing such services is customary."~~

~~(2) BEAUTY SERVICE DEFINED.— Section 45B is amended by adding at the end the following new subsection:~~

~~"(e) BEAUTY SERVICE.— For purposes of this section, the term 'beauty service' means any of the following:~~

~~"(1) Barbering and hair care:~~

~~"(2) Nail care:~~

~~"(3) Esthetics:~~

~~"(4) Body and spa treatments."~~

~~(b) CREDIT DETERMINED WITH RESPECT TO MINIMUM WAGE IN EFFECT.— Section 45B(b)(1) (B) is amended—~~

~~(1) by striking "as in effect on January 1, 2007, and", and~~

~~(2) by inserting ", and in the case of food or beverage establishments, as in effect on January 1, 2007" after "without regard to section 3(m) of such Act".~~

~~(c) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* ~~Sec. 138513. Enhancement of work opportunity credit during COVID-19 recovery period~~**

~~(a) IN GENERAL.—~~

~~Section 51 is amended by adding at the end the following new subsection:~~

~~"(I) ADJUSTMENT TO CREDIT DURING COVID-19 RECOVERY PERIOD.— In the case of individuals (other than any individual who is a qualified summer youth employee) hired after the date of the enactment of this subsection and before January 1, 2023—~~

~~"(1) INCREASED AMOUNT OF CREDIT.— Subsection (a) shall be applied by substituting '50 percent' for '40 percent'.~~

~~"(2) AVAILABILITY OF CREDIT IN SECOND YEAR OF EMPLOYMENT.—~~

~~"(A) IN GENERAL.— Subsection (a) shall be applied by inserting 'or qualified second-year wages' after 'wages'.~~

~~"(B) QUALIFIED SECOND-YEAR WAGES.— For the purposes of this paragraph, the term 'qualified second-year wages' means qualified wages which are attributable to service rendered during the 1-year period beginning on the day after the last day of the 1-year period with respect to the recipient determined under subsection (b)(2).~~

~~"(3) INCREASE IN LIMITATION ON WAGES TAKEN INTO ACCOUNT.— Subsection (b)(3) shall be applied by substituting '\$10,000' for '\$6,000'.~~

~~"(4) ELIGIBILITY OF REHIRES.—~~

~~"(A) IN GENERAL.— Subsection (i)(2) shall not apply.~~

~~"(B) REGULATIONS.— The Secretary shall issue such regulations as the Secretary determines appropriate to ensure a reasonable application of subparagraph (A), including prohibiting attempts to claim the benefit of this section through the termination and rehiring of an employee."~~

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

**\* ~~Sec. 138514. Allowance of deduction for certain expenses of the trade or business of being an employee~~**

~~(a) ABOVE-THE-LINE DEDUCTION FOR UNION DUES.—~~

~~Section 62(a)(2) is amended by adding at the end the following new subparagraph:~~

~~"(F) UNION DUES.— The deductions allowed by section 162 which are both —~~

~~"(A) not in excess of \$250, and~~

~~"(B) attributable to a trade or business consisting of the performance of services by the taxpayer as an employee if such deductions are for dues paid to a labor organization described in section 501(c)(5) and with respect to which such taxpayer remained a member through the end of the taxable year."~~

~~(b) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* ~~Sec. 138515. Cover over of certain distilled spirits taxes~~**

~~(a) REPEAL OF LIMITATION ON COVER OVER OF DISTILLED SPIRITS TAXES TO PUERTO RICO AND VIRGIN ISLANDS.—~~

~~(1) IN GENERAL.— Section <sup>(1)</sup>652 is amended by striking subsection (f) and by redesignating subsections (g) and (h) as subsections (f) and (g), respectively.~~

~~(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to distilled spirits brought into the United States after December 31, 2021.~~

~~(b) REQUIRED TRANSFER TO PUERTO RICO CONSERVATION TRUST FUND OF PORTION OF PUERTO RICO RUM COVER OVER.—~~

~~(1) IN GENERAL.—Section 7652(a) is amended by adding at the end the following new paragraph:~~

~~"(4) REQUIRED TRANSFER TO PUERTO RICO CONSERVATION TRUST FUND OF PORTION OF RUM TAXES COVERED OVER.—~~

~~"(A) IN GENERAL.—From any taxes collected on rum transported to the United States that are covered into the treasury of Puerto Rico under paragraph (3) at a rate equal to or greater than \$10.50 per proof gallon, Puerto Rico shall transfer to the Puerto Rico Conservation Trust Fund an amount per proof gallon equal to or greater than 1/6 of the difference between \$10.50 and the rate, not to exceed \$13.25, at which such taxes are covered into such treasury. Puerto Rico's obligations under this paragraph shall not modify or impair payment priorities established under Puerto Rico law and in effect on May 21, 2021.~~

~~"(B) PUERTO RICO CONSERVATION TRUST FUND.—For purposes of this section, the term 'Puerto Rico Conservation Trust Fund' means the fund established pursuant to a Memorandum of Understanding between the United States Department of the Interior and the Commonwealth of Puerto Rico, dated December 24, 1968."~~

~~(2) COVER OVER DETERMINED WITHOUT REGARD TO CERTAIN RATE REDUCTIONS.—Section 7652(h), as amended by subsections (a) and (c), is amended by inserting "(a)(4)," after "(a)(3),"~~

~~(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to distilled spirits brought into the United States after December 31, 2021.~~

~~(c) COVER OVER DETERMINED WITHOUT REGARD TO CERTAIN RATE REDUCTIONS.—~~

~~(1) IN GENERAL.—Section 7652, as amended by subsection (a), is amended by inserting after subsection (g) the following new subsection:~~

~~"(h) COVER OVER DETERMINED WITHOUT REGARD TO CERTAIN RATE REDUCTIONS.—For purposes of subsections (a)(3), (b)(3), and (c)(1), refunds under section 5001(c)(4) shall not be taken into account as a refund, and the amount of taxes imposed and collected under section 5001(a)(1) shall be determined without regard to section 5001(c)."~~

~~(2) EFFECTIVE DATE.—The amendment made by paragraph (1) shall take effect as if included in section 13807 of Public Law 116-260.~~

~~(3) CONFORMING AMENDMENTS.—~~

~~(A) 7652(E).—~~

~~(i) IN GENERAL.—Section 7652(e) is amended by striking paragraph (5).~~

~~(ii) EFFECTIVE DATE.—The amendment made by this subparagraph shall take effect as if included in section 13807 of Public Law 115-97.~~



~~(B) 7652(i).—~~~~(i) IN GENERAL.— Section 7652 is amended by striking subsection (i).~~~~(ii) EFFECTIVE DATE.— The amendment made by this subparagraph shall take effect as if included in section 107 of Public Law 116–260.~~**\* Sec. 138201. Increase in top marginal individual income tax rate**~~(a) RE-ESTABLISHMENT OF 39.6 PERCENT RATE BRACKET.—~~~~(1) MARRIED INDIVIDUALS FILING JOINT RETURNS AND SURVIVING SPOUSES.— The table contained in section 1(j)(2)(A) is amended by striking the last two rows and inserting the following:~~

<del>Over \$400,000 but not over \$450,000</del>	<del>\$94,370, plus 35% of the excess over \$400,000</del>
<del>Over \$450,000</del>	<del>\$108,870, plus 39.6% of the excess over \$450,000.</del>

~~(2) HEADS OF HOUSEHOLDS.— The table contained in section 1(j)(2)(B) is amended by striking the last two rows and inserting the following:~~

<del>Over \$200,000 but not over \$425,000</del>	<del>\$44,298, plus 35% of the excess over \$200,000</del>
<del>Over \$425,000</del>	<del>\$123,048, plus 39.6% of the excess over \$425,000.</del>

~~(3) UNMARRIED INDIVIDUALS OTHER THAN SURVIVING SPOUSES AND HEADS OF HOUSEHOLDS.— The table contained in section 1(j)(2)(C) is amended by striking the last two rows and inserting the following:~~

<del>Over \$200,000 but not over \$400,000</del>	<del>\$45,680.50, plus 35% of the excess over \$200,000</del>
<del>Over \$400,000</del>	<del>\$115,680.50, plus 39.6% of the excess over \$400,000.</del>

~~(4) MARRIED INDIVIDUALS FILING SEPARATE RETURNS.— The table contained in section 1(j)(2)(D) is amended by striking the last two rows and inserting the following:~~

<del>Over \$200,000 but not over \$225,000</del>	<del>\$45,680.50, plus 35% of the excess over \$200,000</del>
<del>Over \$225,000</del>	<del>\$54,430.50, plus 39.6% of the excess over \$225,000.</del>

~~(5) ESTATES AND TRUSTS.— The table contained in section 1(j)(2)(E) is amended by striking the last row and inserting the following:~~

<del>Over \$12,500</del>	<del>\$3,044.50, plus 39.6% of the excess over \$12,500.</del>
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~~(b) APPLICATION OF ADJUSTMENTS.—~~~~Section 1(j)(3) is amended to read as follows:~~~~"(3) ADJUSTMENTS.— For taxable years beginning after December 31, 2021, the Secretary shall prescribe tables which shall apply in lieu of the tables contained in paragraph (2) in the same manner as under paragraphs (1) and (2) of subsection (f) (applied without regard to clauses (i) and (ii) of subsection (f)(2)(A), except that in prescribing such tables—~~~~"(A) except as provided in subparagraph (B), subsection (f)(3) shall be applied by substituting 'calendar year 2017' for 'calendar year 2016' in subparagraph (A)(ii) thereof;~~

~~"(B) in the case of adjustments to the dollar amounts at which the 39.6 percent rate bracket begins (other than such dollar amount in paragraph (2)(E))—~~

~~"(i) no adjustment shall be made for taxable years beginning after December 31, 2021, and before January 1, 2023, and~~

~~"(ii) in the case of any taxable year beginning after December 31, 2022, subsection (f)(3) shall be applied by substituting 'calendar year 2021' for 'calendar year 2016';~~

~~"(C) subsection (f)(7)(B) shall apply to any unmarried individual other than a surviving spouse, and~~

~~"(D) subsection (f)(8) shall not apply."~~

~~(c) MODIFICATION TO 39.6 PERCENT RATE BRACKET FOR HIGH-INCOME TAXPAYERS AFTER 2025.—~~

~~Section 1(i)(3) is amended to read as follows:~~

~~"(3) MODIFICATIONS TO 39.6 PERCENT RATE BRACKET.— In the case of taxable years beginning after December 31, 2025—~~

~~"(A) IN GENERAL.— The rate of tax under subsections (a), (b), (c), and (d) on a taxpayer's taxable income in excess of the 39.6 percent rate bracket threshold shall be taxed at a rate of 39.6 percent.~~

~~"(B) 39.6 PERCENT RATE BRACKET THRESHOLD.— For purposes of this paragraph, the term '39.6 percent rate bracket threshold' means—~~

~~"(i) in the case any taxpayer described in subsection (a), \$450,000;~~

~~"(ii) in the case of any taxpayer described in subsection (b), \$425,000;~~

~~"(iii) in the case of any taxpayer described in subsection (c), \$400,000, and~~

~~"(iv) in the case of any taxpayer described in subsection (d), \$225,000.~~

~~"(C) INFLATION ADJUSTMENT.— For purposes of this paragraph, with respect to taxable years beginning in calendar years after 2025, each of the dollar amounts in subparagraph (B) shall be adjusted in the same manner as under paragraph (1)(G) (i), except that subsection (f)(3)(A)(ii) shall be applied by substituting '2021' for '2016'."~~

~~(d) CONFORMING AMENDMENTS.—~~

~~(1) Section 1(j)(1) is amended by striking "December 31, 2017" and inserting "December 31, 2021".~~

~~(2) The heading of section 1(j) is amended by striking "2018" and inserting "2022".~~

~~(3) The heading of section 1(i) is amended by striking "Rate reductions" and inserting "Modifications"~~

~~(4) Section 15(f) is amended by striking "rate reductions" and inserting "modifications".~~

~~(e) SECTION 15 NOT TO APPLY.— For rules providing that section 15 of the Internal Revenue Code of 1986 does not apply to the amendments made by this section, see sections 1(j)(6) and 15(f) of the Internal Revenue Code of 1986.~~

(f) ~~EFFECTIVE DATE.~~— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.

\* **Sec. 138202. Increase in capital gains rate for certain high income individuals**

(a) ~~IN GENERAL.~~— Section 1(h)(1)(D) is amended by striking "20 percent" and inserting "25 percent".

(b) ~~RE-ALIGNMENT OF 25 PERCENT CAPITAL GAINS RATE THRESHOLD WITH 39.6 PERCENT INCOME TAX RATE THRESHOLD.~~— Section 1(j)(5) is amended—

(1) by striking subparagraphs (A) and (B) and inserting the following new subparagraphs:

"(A) ~~IN GENERAL.~~— Section 1(h)(1) shall be applied by substituting 'below the maximum zero rate amount' for 'which would (without regard to this paragraph) be taxed at a rate below 25 percent' in subparagraph (B)(i);

"(B) ~~MAXIMUM ZERO RATE AMOUNT DEFINED.~~— For purposes of applying section 1(h) with the modifications described in subparagraph (A), the maximum zero rate amount shall be—

"(i) in the case of a joint return or surviving spouse, \$77,200;

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

"(iii) in the case of any other individual (other than an estate or trust), an amount equal to 1/2 of the amount in effect for the taxable year under subclause (i), and

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

(2) by striking "each of the dollar amounts in clauses (i) and (ii)" in subparagraph (C) and inserting "each dollar amount in clause (i), (ii), or (iv)".

(c) ~~CONFORMING AMENDMENTS.~~—

(1) ~~Section 55(b)(3) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).~~

(2) The following provisions are each amended by striking "20 percent" and inserting "25 percent":

(A) Section 531.

(B) Section 541.

(C) Section 1445(e)(1).

(D) Section 1445(e)(6).

(E) The second sentence of section 7518(g)(6)(A).

(3) Section 53511(f)(2) of title 46, United States Code, is amended to read as follows:

"(2) ~~MAXIMUM TAX RATE.~~— For that portion of a nonqualified withdrawal made from the capital gain account during a taxable year to which section 1(h) of such ~~Code~~ (26 U.S.C. 1(h)) applies, the tax rate used under paragraph (1)(B) may not exceed 25 percent."

~~(d) SECTION 15 NOT TO APPLY.—The amendments made by this section shall not be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.~~

~~(e) EFFECTIVE DATES.—~~

~~(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years ending after September 13, 2021.~~

~~(2) RE-ALIGNMENT OF 25 PERCENT CAPITAL GAINS RATE THRESHOLD WITH 39.6 PERCENT INCOME TAX RATE THRESHOLD.—The amendments made by subsection (b) shall apply to taxable years beginning after December 31, 2021.~~

~~(3) WITHHOLDING UNDER SECTIONS 1445 AND 1446.—The amendments made by subparagraphs (C) and (D) of subsection (c)(2) shall apply to dispositions after the date of the enactment of this Act.~~

~~(f) TRANSITIONAL RULES FOR TAXABLE YEARS WHICH INCLUDE SEPTEMBER 13, 2021.—~~

~~(1) IN GENERAL.—For purposes of applying section 1(h) of the Internal Revenue Code of 1986 with respect to any taxable year which includes September 13, 2021, the amount determined under subparagraph (D) of section 1(h)(1) of such Code shall be the sum of—~~

~~(A) 20 percent of the lesser of—~~

~~(i) the amount on which a tax is determined under such subparagraph (D) (without regard to this subsection); or~~

~~(ii) the amount (if any) of net capital gain determined by taking into account only dividends, gains, and losses for the portion of the taxable year on or before September 13, 2021 (determined without regard to collectibles gain or loss, gain described in section 1(h)(6)(A)(i) of such Code, and section 1202 gain), plus—~~

~~(B) 25 percent of the excess (if any) of the amount described in subparagraph (A)(i) over the amount described in subparagraph (A)(ii).~~

~~(2) SPECIAL RULE FOR BINDING CONTRACTS ENTERED INTO PRIOR TO SEPTEMBER 13, 2021.—For purposes of paragraph (1), a gain recognized in the taxable year that includes September 13, 2021, shall be treated as being with respect to the portion of such taxable year on or before such date if such gain arises from a transaction which occurs pursuant to a written binding contract entered into on or before such date (and which is not modified thereafter in any material respect).~~

~~(3) ALTERNATIVE MINIMUM TAX.—Rules similar to the rules of paragraph (1) shall apply for purposes of applying section 55(b)(3) of such Code.~~

~~(4) APPLICATION TO PASS-THRU ENTITIES.—In applying this subsection with respect to any pass-thru entity, the determination of when dividends, gains, and losses are properly taken into account shall be made at the entity level.~~

~~(5) DEFINITIONS OF CERTAIN TERMS.—Terms used in this subsection which are also used in section 1(h) of such Code shall have the respective meanings that such terms have in such section.~~

**\* ~~Sec. 138204. Limitation on deduction of qualified business income for certain high income individuals~~**

~~(a) IN GENERAL.—~~

~~Section 199A(a) is amended by striking "or" at the end of paragraph (1), by striking the period at the end of paragraph (2) and inserting ", or", and by adding at the end the following new paragraph:~~

~~"(3) the following amount:~~

~~"(A) \$500,000 in the case of a joint return or surviving spouse (as defined in section 2(a));~~

~~"(B) \$400,000 in the case of any taxpayer not described in subparagraph (A), (C), or (D);~~

~~"(C) \$250,000 in the case of a married individual filing a separate return, or~~

~~"(D) \$10,000 in the case of an estate or trust.".~~

~~(b) EFFECTIVE DATE.— The amendments made by this section shall apply to taxable years beginning after December 31, 2021.~~

**\* ~~Sec. 138313. Statute of limitations with respect to IRA noncompliance~~**

~~(a) IN GENERAL.—~~

~~Subsection (c) of section 6501 is amended by adding at the end the following new paragraph:~~

~~"(13) NONCOMPLIANCE RELATING TO AN INDIVIDUAL RETIREMENT PLAN.—~~

~~"(A) MISREPORTING.— In the case of any substantial error (willful or otherwise) in the reporting on a return of any information relating to the valuation of investment assets with respect to an individual retirement plan, the time for assessment of any tax imposed by this title with respect to such plan shall not expire before the date which is 6 years after the return containing such error was filed (whether or not such return was filed on or after the date prescribed).~~

~~"(B) PROHIBITED TRANSACTIONS.— The time for assessment of any tax imposed by section 4975 shall not expire before the date which is 6 years after the return was filed (whether or not such return was filed on or after the date prescribed)."~~

~~(b) EFFECTIVE DATE.— The amendment made by this section shall apply to taxes with respect to which the 3-year period under section 6501(a) of the Internal Revenue Code of 1986 (without regard to the amendment made by this section) ends after December 31, 2021.~~

**\* ~~Sec. 138314. Prohibition of investment of IRA assets in entities in which the owner has a substantial interest~~**

~~(a) IN GENERAL.—~~

~~Subsection (a) of section 408, as amended by the preceding provisions of this Act, is amended by adding at the end the following new paragraph:~~

~~"(8) No part of the trust funds <sup>(1)</sup> will be invested in a corporation, partnership or other unincorporated enterprise, or trust or estate if—~~

~~"(A) in the case of an entity with respect to which interests described in clause (i), (ii), or (iii) are not readily tradable on a securities market, 10 percent or more of~~

~~"(i) the combined voting power of all classes of stock entitled to vote or the total value of shares of all classes of stock of such corporation;~~

~~"(ii) the capital interest or profits interest of such partnership or enterprise;~~  
or

~~"(iii) the beneficial interest of such trust or estate;~~  
is owned (directly or indirectly) or held by the individual on whose behalf the trust is maintained, or

~~"(B) the individual on whose behalf the trust is maintained is an officer or director (or an individual having powers or responsibilities similar to officers or directors) of such corporation, partnership, or other unincorporated enterprise.~~

~~For purposes of subparagraph (A), the constructive ownership rules of paragraphs (4) and (5) of section 4975(e) shall apply, and any asset or interest held by the trust shall be treated as held by the individual described in such subparagraph."~~

~~(b) LOSS OF EXEMPTION OF ACCOUNT.— Subparagraph (B) of section 408(e)(2), as added by this Act, is amended by striking "(a)(7)" and inserting "(a)(7) or (a)(8)":~~

~~(c) CONFORMING AMENDMENT.— Paragraph (1) of section 408(e), as amended by the preceding provisions of this Act, is amended by striking "(1) through (7)" and inserting "(1) through (8)":~~

~~(d) EFFECTIVE DATES.—~~

~~(1) IN GENERAL.— Except as provided in paragraph (2), the amendments made by this section shall apply to investments made in taxable years beginning after December 31, 2021.~~

~~(2) SPECIAL RULE FOR EXISTING INVESTMENTS.— If, on the date of the enactment of this Act, an individual retirement account holds an investment prohibited under section 408(a)(8) of the Internal Revenue Code of 1986 (as added by subsection (a)), the amendments made by this section shall apply to such investment for taxable years beginning after December 31, 2023.~~

**\* ~~Sec. 138315. IRA owners treated as disqualified persons for purposes of prohibited transaction rules~~**

~~(a) IN GENERAL.— Paragraph (2) of section 4975(e) is amended—~~

~~(1) by striking "or" at the end of subparagraph (1);~~

~~(2) by striking the period at the end of subparagraph (1) and inserting "; or";~~

~~(3) by inserting after subparagraph (1) the following new subparagraph:~~

~~"(J) the individual for whose benefit a plan described in subparagraph (B) or (C) of paragraph (1) is maintained,"~~

~~(4) by striking "or (E)" both places it appears in subparagraphs (F) and (G) and inserting "(E), or (J) (in the case of a plan described in subparagraph (B) or (C) of~~

paragraph (1))",

(5) by striking "or (G)" in subparagraph (I) and inserting "(G), or (J) (in the case of a plan described in subparagraph (B) or (C) of paragraph (1))", and

(6) by adding at the end the following: "For purposes of subparagraphs (C) and (I), any asset or interest held by a plan described in subparagraph (B) or (C) of paragraph (1) shall be treated as owned by the individual described in subparagraph (J) with respect to such plan."

(b) ~~CONFORMING AMENDMENTS.—~~

(1) Subparagraph (A) of section 408(e)(2), as amended by the preceding provisions of this Act, is amended to read as follows:

~~"(A) EMPLOYEE ENGAGING IN PROHIBITED TRANSACTION.—~~ If, during any taxable year of the individual for whose benefit any individual retirement account is maintained, that individual engages in any transaction prohibited by section 4975 with respect to such account, such account ceases to be an individual retirement account as of the first day of such taxable year. For purposes of this paragraph, the separate account for the benefit of any individual within an individual retirement account maintained by an employer or association of employees is treated as a separate individual retirement account."

(2) Subparagraph (B) of section 408(e)(2), as added by this Act, is amended by striking the last sentence.

(c) ~~EFFECTIVE DATE.—~~ The amendments made by this section shall apply to transactions occurring after December 31, 2021.

**\* Sec. 138401. Funding of the Internal Revenue Service**

In addition to amounts otherwise available, there are appropriated for fiscal year 2022, out of any money in the Treasury not otherwise appropriated:

(1) \$78,935,000,000, to remain available until September 30, 2031, for necessary expenses for the Internal Revenue Service (IRS) for strengthening tax enforcement activities and increasing voluntary compliance, expanding audits and other enforcement activities, and modernizing information technology to effectively support enforcement activities, except that no use of these funds is intended to increase taxes on any taxpayer with taxable income below \$400,000;

(2) \$410,000,000, to remain available until September 30, 2031, for necessary expenses for the Treasury Inspector General for Tax Administration to provide oversight of the IRS, including ensuring that taxpayer privacy is protected and that no undue burden is imposed on small businesses from IRS enforcement activities; and

(3) \$157,000,000, to remain available until September 30, 2031, for the Tax Court for adjudicating tax disputes.

**\* Sec. 138403. Limitation on deduction for qualified conservation contributions made by partnerships, etc** (l)

(a) ~~IN GENERAL.—~~

Section 170(h) is amended by adding at the end the following new paragraphs:

~~"(7) LIMITATION ON DEDUCTION FOR QUALIFIED CONSERVATION CONTRIBUTIONS MADE BY PASS-THROUGH ENTITIES.—~~

~~"(A) IN GENERAL.— A contribution by a partnership (whether directly or as a distributive share of a contribution of another partnership) shall not be treated as a qualified conservation contribution for purposes of this section if the amount of such contribution exceeds 2.5 times the sum of each partner's relevant basis in such partnership:~~

~~"(B) RELEVANT BASIS.— For purposes of this paragraph—~~

~~"(i) IN GENERAL.— The term 'relevant basis' means, with respect to any partner, the portion of such partner's modified basis in the partnership which is allocable (under rules similar to the rules of section 755) to the portion of the real property with respect to which the contribution described in subparagraph (A) is made:~~

~~"(ii) MODIFIED BASIS.— The term 'modified basis' means, with respect to any partner, such partner's adjusted basis in the partnership as determined—~~

~~"(I) immediately before the contribution described in subparagraph (A);~~

~~"(II) without regard to section 752; and~~

~~"(III) by the partnership after taking into account the adjustments described in subclauses (I) and (II) and such other adjustments as the Secretary may provide:~~

~~"(C) EXCEPTION FOR CONTRIBUTIONS OUTSIDE 3-YEAR HOLDING PERIOD.— Subparagraph (A) shall not apply to any contribution which is made at least 3 years after the latest of—~~

~~"(i) the last date on which the partnership that made such contribution acquired any portion of the real property with respect to which such contribution is made;~~

~~"(ii) the last date on which any partner in the partnership that made such contribution acquired any interest in such partnership; and~~

~~"(iii) if the interest in the partnership that made such contribution is held through one or more partnerships—~~

~~"(I) the last date on which any such partnership acquired any interest in any other such partnership; and~~

~~"(II) the last date on which any partner in any such partnership acquired any interest in such partnership:~~

~~"(D) EXCEPTION FOR FAMILY PARTNERSHIPS.—~~

~~"(i) IN GENERAL.— Subparagraph (A) shall not apply with respect to any contribution made by any partnership if substantially all of the partnership interests in such partnership are held, directly or indirectly, by an individual and members of the family of such individual:~~



~~"(ii) MEMBERS OF THE FAMILY.—For purposes of this subparagraph, the term 'members of the family' means, with respect to any individual—~~

~~"(i) the spouse of such individual, and~~

~~"(ii) any individual who bears a relationship to such individual which is described in subparagraphs (A) through (C) of section 152(d)(2).~~

~~"(E) APPLICATION TO OTHER PASS-THROUGH ENTITIES.— Except as may be otherwise provided by the Secretary, the rules of this paragraph shall apply to S corporations and other pass-through entities in the same manner as such rules apply to partnerships.~~

~~"(F) REGULATIONS.— The Secretary shall prescribe such regulations or other guidance as may be necessary or appropriate to carry out the purposes of this paragraph, including regulations or other guidance—~~

~~"(i) to require reporting, including reporting related to tiered partnerships and the modified basis of partners, and~~

~~"(ii) to prevent the avoidance of the purposes of this paragraph.~~

~~"(8) NOTICE OF CERTAIN FAILURES.—~~

~~"(A) IN GENERAL.— If a donor is found by the Secretary to have failed to meet the requirement that a qualified conservation contribution shall be granted and protected in perpetuity by reason of defective language in the deed relating to property line adjustments or extinguishment clauses, the donor shall have 90 days from the written notice by the Secretary to correct such failure, unless the Secretary can demonstrate that the donor's failure to meet those requirements was intentional.~~

~~"(B) EXCEPTION.— Subparagraph (A) shall not apply to any reportable transaction or any contribution that is not treated as a qualified conservation contribution by reason of paragraph (7)."~~

~~(b) APPLICATION OF ACCURACY-RELATED PENALTIES.—~~

~~(1) IN GENERAL.— Section 6662(b) is amended by inserting after paragraph (9) the following new paragraph:~~

~~"(10) Any disallowance of a deduction by reason of section 170(h)(7)."~~

~~(2) TREATMENT AS GROSS VALUATION MISSTATEMENT.— Section 6662(h)(2) is amended by striking "and" at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting ", and", and by adding at the end the following new subparagraph:~~

~~"(D) any disallowance of a deduction described in subsection (b)(10)."~~

~~(3) NO REASONABLE CAUSE EXCEPTION.— Section 6664(e)(2) is amended by inserting "or to any disallowance of a deduction described in section 6662(b)(10)" before the period at the end:~~

~~(4) APPROVAL OF ASSESSMENT NOT REQUIRED.— Section 6751(b)(2)(A) is amended by striking "subparagraph (b)(9)" and inserting "paragraph (9) or (10) of subsection (b)".~~

~~(c) APPLICATION OF STATUTE OF LIMITATIONS ON ASSESSMENT AND COLLECTION.—~~

~~(1) EXTENSION FOR CERTAIN ADJUSTMENTS MADE UNDER PRIOR LAW.—~~ In the case of any disallowance of a deduction by reason of section 170(h)(7) of the Internal Revenue Code of 1986 (as added by this section) or any penalty imposed under section 6662 of such Code with respect to such disallowance, section 6229(d)(2) of such Code (as in effect before its repeal) shall be applied by substituting "2 years" for "1 year".

~~(2) EXTENSION FOR LISTED TRANSACTIONS.—~~ Any contribution described in section 170(h)(7)(A) of the Internal Revenue Code of 1986 (as added by this section) shall be treated for purposes of sections 6501(e)(10) and 6235(e)(6) of such Code as a transaction specifically identified by the Secretary on December 23, 2016, as a tax avoidance transaction for purposes of section 6011 of such Code.

~~(d) APPLICATION TO CERTAIN TRANSACTIONS DISALLOWED UNDER OTHER PROVISIONS OF LAW.—~~ In the case of any disallowance of a deduction under section 170 of the Internal Revenue Code of 1986 with respect to a transaction described in Internal Revenue Service Notice 2017-10 with respect to a taxable year ending before the date of the enactment of this Act, such disallowance shall be treated for purposes of section 6662(b)(10) of such Code (as added by this section) and subsection (e)(1) as being by reason of section 170(h)(7) of such Code (as added by this section):

~~(e) EFFECTIVE DATE.—~~

~~(1) IN GENERAL.—~~ Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to contributions made after December 23, 2016, in taxable years ending after such date.

~~(2) NOTICE OF CERTAIN FAILURES.—~~ So much of the amendment made by subsection (a) as relates to section 170(h)(8) of the Internal Revenue Code of 1986, as added by such subsection, shall apply to—

~~(A) returns filed after the date of the enactment of this Act, and~~

~~(B) returns filed on or before such date if the period specified in section 6501 for assessment of the taxes with respect to which such return relates has not expired as of such date.~~

~~(3) CERTIFIED HISTORIC STRUCTURES.—~~ In the case of contributions the conservation purpose (as defined in section 170(h)(4) of the Internal Revenue Code of 1986) of which is the preservation of a certified historic structure (as defined in section 170(h)(4)(C) of such Code), the amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2018.

~~(4) NO INFERENCE.—~~ No inference is intended as to the appropriate treatment of contributions made in taxable years ending on or before the date specified in paragraph (1) or (3), whichever is applicable, or as to any activity not described in section 170(h)(7) of the Internal Revenue Code of 1986, as added by this section.

**\* Sec. 138207. Termination of temporary increase in unified credit**

~~(a) IN GENERAL.—~~ Section 2040(e)(3) of the Internal Revenue Code of 1986 is amended by striking paragraph (C).<sup>(1)</sup>

(b) ~~EFFECTIVE DATE.~~—The amendment made by this section shall apply to estates of decedents dying and gifts made after December 31, 2021.

~~\* Sec. 138208. Increase in limitation on estate tax valuation reduction for certain real property used in farming or other trades or businesses~~

(a) ~~IN GENERAL.~~—Section 2032A(a)(2) of the Internal Revenue Code of 1986 is amended by striking "\$750,000" and inserting "\$11,700,000".

(b) ~~INFLATION ADJUSTMENT.~~—Section 2032A(a)(3) of such Code is amended—

(1) by striking "\$750,000" both places it appears and inserting "\$11,700,000",

(2) by striking "1998" in the matter preceding subparagraph (A) and inserting "2021", and

(3) by striking "1997" in subparagraph (B) and inserting "2020".

(c) ~~EFFECTIVE DATE.~~—The amendments made by this section shall apply to the estates of decedents dying after December 31, 2021.

~~\* Sec. 138209. Certain tax rules applicable to grantor trusts~~

(a) ~~APPLICATION OF TRANSFER TAXES.~~—

(1) ~~IN GENERAL.~~—Subtitle B of the Internal Revenue Code of 1986 is amended by adding at the end the following new chapter:

**"Chapter 16—Special Rules for Grantor Trusts**

"Sec. 2901. Application of transfer taxes.

**"Sec. 2901. Application of transfer taxes**

"(a) ~~IN GENERAL.~~—In the case of any portion of a trust with respect to which the grantor is the deemed owner—

"(1) the value of the gross estate of the deceased deemed owner of such portion shall include all assets attributable to that portion at the time of the death of such owner;

"(2) any distribution (other than to the deemed owner or the deemed owner's spouse) from such portion to one or more beneficiaries during the life of the deemed owner of such portion (other than in discharge of an obligation of the deemed owner) shall be treated as a transfer by gift for purposes of chapter 12;

"(3) if at any time during the life of the deemed owner of such portion, such owner ceases to be treated as the owner of such portion under subpart E of part 4 of subchapter J of chapter 1, all assets attributable to such portion at such time shall be treated for purposes of chapter 12 as a transfer by gift made by the deemed owner, and

"(4) proper adjustment shall be made with respect to amounts so included in the gross estate, or treated as transferred by gift, pursuant to paragraph (1), (2), or (3),

as the case may be, to account for amounts treated previously as taxable gifts under chapter 12 with respect to previous transfers to the trust by the deemed owner.

~~"(b) EXCEPTIONS.— This section shall not apply to any trust that is includible in the gross estate of the deemed owner (without regard to subsection (a)(1))."~~

~~"(c) DEEMED OWNER DEFINED.— For purposes of this chapter, the term 'deemed owner' means any person who is treated as the owner of a portion of a trust under subpart E of part 1 of subchapter J of chapter 1."~~

~~(2) CROSS-REFERENCE.— Section 2514 of such Code is amended by adding at the end the following new subsection:~~

~~"(c) CROSS-REFERENCE.— For treatment of transfers to grantor trusts, see section 2901."~~

~~(3) CLERICAL AMENDMENT.— The table of chapters for subtitle B of such Code is amended by adding at the end the following new item:~~

**"CHAPTER 16. SPECIAL RULES FOR GRANTOR TRUSTS":**

~~(b) CERTAIN SALES TO GRANTOR TRUST.—~~

~~(1) IN GENERAL.— Part IV of subchapter O of chapter 1 of such Code is amended by redesignating section 1062 as section 1063 and inserting after section 1061 the following new section:~~

**"Sec. 1062. Certain sales between grantor trust and deemed owner"**

~~"(a) IN GENERAL.— In the case of any transfer of property between a trust and the a person who is the deemed owner of the trust (or portion thereof), such treatment of the person as the owner of the trust shall be disregarded in determining whether the transfer is a sale or exchange for purposes of this chapter.~~

~~"(b) EXCEPTION.— Subsection (a) shall not apply to any trust that is fully revocable by the deemed owner.~~

~~"(c) DEEMED OWNER.— For purposes of this section, the term 'deemed owner' means any person who is treated as the owner of a portion of a trust under subpart E of part 1 of subchapter J."~~

~~(2) RELATED TAXPAYERS.— Section 267(b) is amended by striking "or" at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting "; or", and by adding at the end the following new paragraph:~~

~~"(14) A grantor trust and the person treated as the owner of the trust (or portion thereof) under subpart E of part 1 of subchapter J of this chapter."~~

~~(3) CLERICAL AMENDMENT.— The table of sections for part IV of subchapter O of chapter 1 of such Code is amended by striking the item relating to section 1062 and inserting the following new items:~~

~~"Sec. 1062. Certain sales to grantor trusts.  
Sec. 1063. Cross references."~~

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

~~(1) to trusts created on or after the date of the enactment of this Act, and~~

~~(2) to any portion of a trust established before the date of the enactment of this Act which is attributable to a contribution made on or after such date.~~

**\* Sec. 138210. Valuation rules for certain transfers of nonbusiness assets**

~~(a) IN GENERAL.—~~

~~Section 2031 of the Internal Revenue Code of 1986 is amended by redesignating subsection (d) as subsection (f) and by inserting after subsection (e) the following new subsections:~~

~~"(d) VALUATION RULES FOR CERTAIN TRANSFERS OF NONBUSINESS ASSETS.— For purposes of this chapter and chapter 12—~~

~~"(1) IN GENERAL.— In the case of the transfer of any interest in an entity other than an interest which is actively traded (within the meaning of section 1092)—~~

~~"(A) the value of any nonbusiness assets held by the entity with respect to such interest shall be determined as if the transferor had transferred such assets directly to the transferee (and no valuation discount shall be allowed with respect to such nonbusiness assets), and~~

~~"(B) such nonbusiness assets shall not be taken into account in determining the value of the interest in the entity.~~

~~"(2) NONBUSINESS ASSETS.— For purposes of this subsection—~~

~~"(A) IN GENERAL.— The term 'nonbusiness asset' means any passive asset which—~~

~~"(i) is held for the production or collection of income, and~~

~~"(ii) is not used in the active conduct of a trade or business.~~

~~"(B) PASSIVE ASSETS USED IN ACTIVE CONDUCT OF TRADE OR BUSINESS.— Except as provided in subparagraph (C), a passive asset shall not be treated for purposes of subparagraph (A) as used in the active conduct of a trade or business unless—~~

~~"(i) the asset is property described in paragraph (1) or (4) of section 1221(a) or is a hedge with respect to such property, or~~

~~"(ii) the asset is real property used in the active conduct of 1 or more real property trades or businesses (within the meaning of section 469(e)(7)(C)) in which the transferor materially participates and with respect to which the transferor meets the requirements of section 469(e)(7)(B)(ii).~~

~~For purposes of clause (ii), material participation shall be determined under the rules of section 469(h), except that section 469(h)(3) shall be applied without regard to the limitation to farming activity.~~

~~"(C) EXCEPTION FOR WORKING CAPITAL.— Any passive asset which is held as a part of the reasonably required working capital needs of a trade or business shall be treated as used in the active conduct of a trade or business.~~

~~"(3) PASSIVE ASSET.— For purposes of this subsection, the term 'passive asset' means any—~~

~~"(A) cash or cash equivalents;~~

~~"(B) except to the extent provided by the Secretary, stock in a corporation or any other equity, profits, or capital interest in a partnership;~~

~~"(C) evidence of indebtedness, option, forward or futures contract, notional principal contract, or derivative;~~

~~"(D) asset described in clause (iii), (iv), or (v) of section 351(e)(1)(B);~~

~~"(E) annuity;~~

~~"(F) real property;~~

~~"(G) asset (other than a patent, trademark, or copyright) which produces royalty income;~~

~~"(H) commodity;~~

~~"(I) collectible (within the meaning of section 408(m));~~

~~"(J) personal property (as defined in section 1092(d)(1)) or position in personal property (within the meaning of section 1092(d)(2)); or~~

~~"(K) other asset specified in regulations prescribed by the Secretary.~~

~~"(4) LOOK-THRU RULES.—~~

~~"(A) IN GENERAL.— If a passive asset of an entity consists of a 10-percent interest in any other entity, this subsection shall be applied by disregarding the 10-percent interest and by treating the entity as holding directly its ratable share of the assets of the other entity. This subparagraph shall be applied successively to any 10-percent interest of such other entity in any other entity.~~

~~"(B) 10-PERCENT INTEREST.— The term '10-percent interest' means—~~

~~"(i) in the case of an interest in a corporation, ownership of at least 10 percent (by vote or value) of the stock in such corporation;~~

~~"(ii) in the case of an interest in a partnership, ownership of at least 10 percent of the capital or profits interest in the partnership, and~~

~~"(iii) in any other case, ownership of at least 10 percent of the beneficial interests in the entity.~~

~~For purposes of the preceding sentence, the rules prescribed by section 318(a) shall apply.~~

~~"(5) COORDINATION WITH SUBSECTION (B).— Subsection (b) shall apply after the application of this subsection.~~

~~"(6) REGULATIONS.— The Secretary shall issue such regulations or other guidance as the Secretary determines is necessary or appropriate to carry out this subsection, including regulations or other guidance to—~~

~~"(A) determine whether a passive asset is used in the active conduct of a trade or business, in addition to the instances described in paragraph (2)(B); and~~

~~"(B) determine whether a passive asset is held as a part of the reasonably required working capital needs of a trade or business under paragraph (2)(C)."~~

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

**\* ~~Sec. 138301. Contribution limit for individual retirement plans of high-income taxpayers with large account balances~~**

~~(a) CONTRIBUTION LIMIT.—~~

~~(1) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 is amended by adding at the end the following:~~

**~~"Sec. 409B. Contribution limit on individual retirement plans of high-income taxpayers with large account balances~~**

~~"(a) GENERAL RULE.—Notwithstanding any other provision of this title, in the case of an individual who is an applicable taxpayer for a taxable year, no annual additions which are allocable to such taxable year shall be made by, or on behalf of, such individual to any individual retirement plan to the extent such annual additions exceed the excess (if any) of—~~

~~"(1) the applicable dollar amount for such taxable year, over~~

~~"(2) the aggregate vested balances to the credit of the individual (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which such taxable year begins).~~

~~"(b) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—~~

~~"(1) ANNUAL ADDITION.—~~

~~"(A) IN GENERAL.—Except as provided in this paragraph, the term 'annual addition' means any contribution to an individual retirement plan.~~

~~"(B) CONTRIBUTIONS TO SEP AND SIMPLE PLANS.—In the case of any employer or employee contributions by, or on behalf of, an individual to a simplified employee pension under section 408(k) or a simple retirement account under section 408(p)—~~

~~"(i) such contributions shall not be treated as annual additions for purposes of applying the limitation under subsection (a), but~~

~~"(ii) the excess described in subsection (a) shall be reduced by the amount of such contributions in applying such limitation to other annual additions with respect to such individual.~~

~~"(C) ROLLOVER CONTRIBUTIONS DISREGARDED.—A rollover contribution under section 402(c), 402A(c)(3)(A), 403(a)(4), 403(b)(8), 408(d)(3)(A), 408A(e)(1), or 457(e)(16) shall not be treated as an annual addition.~~

~~"(D) ACCOUNTS ACQUIRED BY DEATH OR DIVORCE OR SEPARATION.—The acquisition of an individual retirement plan (or the transfer to or contribution of amounts to an individual retirement plan) by reason of—~~

~~"(i) the death of another individual, or~~

~~"(ii) divorce or separation (pursuant to section 408(d)(6));~~

~~shall not be treated as an annual addition.~~

~~"(2) APPLICABLE DOLLAR AMOUNT.— The term 'applicable dollar amount' means \$10,000,000.~~

~~"(3) APPLICABLE RETIREMENT PLAN.— The term 'applicable retirement plan' means—~~

~~"(A) a defined contribution plan to which section 401(a) or 403(a) applies;~~

~~"(B) an annuity contract under section 403(b);~~

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

~~"(D) an individual retirement plan.~~

~~"(4) APPLICABLE TAXPAYER.—~~

~~"(A) IN GENERAL.— The term 'applicable taxpayer' means, with respect to any taxable year, a taxpayer whose adjusted taxable income for such taxable year exceeds the amount determined under subparagraph (B).~~

~~"(B) DOLLAR LIMIT.— The amount determined under this subparagraph for any taxable year is—~~

~~"(i) \$400,000 for an individual who is a taxpayer not described in clause (ii) or (iii);~~

~~"(ii) \$425,000 in the case of an individual who is a head of household (as defined in section 2(b)), and~~

~~"(iii) \$450,000 in the case of an individual who is a married individual filing a joint return or a surviving spouse (as defined in section 2(a)).~~

~~"(C) ADJUSTED TAXABLE INCOME.— The term 'adjusted taxable income' means taxable income determined without regard to—~~

~~"(i) any deduction for annual additions to individual retirement plans to which subsection (a) applies, and~~

~~"(ii) any increase in minimum required distributions by reason of section 4974(e).~~

~~"(5) ADJUSTMENTS FOR INFLATION.—~~

~~"(A) IN GENERAL.— In the case of any taxable year beginning after 2022, each of the dollar amounts under paragraph (2) and paragraph (4)(B) shall be increased by an amount equal to the product of—~~

~~"(i) such dollar amount, and~~

~~"(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting 'calendar year 2021' for 'calendar year 1992' in subparagraph (B) thereof.~~



~~"(B) ROUNDING.—If any amount as adjusted under subparagraph (A) is not~~

~~"(i) in the case of the dollar amount under paragraph (2), a multiple of \$250,000, such amount shall be rounded to the next lowest multiple of \$250,000, and~~

~~"(ii) in the case of a dollar amount under paragraph (4), a multiple of \$1,000, such amount shall be rounded to the next lowest multiple of \$1,000.~~

~~"(c) REGULATIONS.—The Secretary shall prescribe such regulations and guidance as are necessary or appropriate to carry out the purposes of this section, including regulations or guidance that provide for the application of this section and section 4974(e) in the case of plans with a valuation date other than the last day of a calendar year."~~

~~(2) CONFORMING AMENDMENTS.—~~

~~(A) The table of contents for subpart A of part I of subchapter D of chapter 1 is amended by adding after the item relating to section 409A the following new item:~~

~~"Sec. 409B. Contribution limit on individual retirement plans of high-income taxpayers with large account balances."~~

~~(B) Section 408(r) is amended by adding at the end the following new paragraph:~~

~~"(3) For additional limitation on contributions to individual retirement plans with large account balances, see sections 402A(c)(3)(A) and 409B."~~

~~(b) EXCISE TAX ON EXCESS ANNUAL ADDITIONS.—~~

~~(1) IN GENERAL.—Section 4973 is amended by adding at the end the following new subsection:~~

~~"(i) SPECIAL RULE FOR INDIVIDUAL RETIREMENT PLANS WITH EXCESS ANNUAL ADDITIONS.—For purposes of this section, in the case of individual retirement plans, the term 'excess contributions' with respect to any taxable year means the sum of—~~

~~"(1) the excess of the annual additions (within the meaning of section 409B(b)(1)) to such plans over the limitation under section 409B(a) for such taxable year, reduced by the amount of any excess contributions determined under subsections (b) and (f), and~~

~~"(2) the lesser of—~~

~~"(A) the amount determined under this subsection for the preceding taxable year with respect to such plans, reduced by the aggregate distributions from such plans for the taxable year (including distributions required under section 4974(e)) to the extent not contributed in a rollover contribution to another eligible retirement plan in accordance with section 402(e), 402A(c)(3)(A), 403(a)(4), 403(b)(8), 457(e)(16), 408(d)(3), or 408A(d)(3), or~~

~~"(B) the amount (if any) by which the amount determined under section 409B(a)(2) for the taxable year exceeds the applicable dollar amount under section 409B(b)(2) for the taxable year."~~

~~(2) CONFORMING AMENDMENTS.— Subsections (b) and (f) of section 4973 are each amended by inserting “, except as further provided in subsection (i)” after “For purposes of this section”.~~

~~(c) REPORTING REQUIREMENTS.—~~

Section 6057(a) is amended by adding at the end the following:

~~“(3) ADDITIONAL INFORMATION REGARDING HIGH ACCOUNT BALANCES.—~~

~~“(A) IN GENERAL.— If, as of the close of any plan year, 1 or more participants in an applicable retirement plan (as defined in section 409B(b)(3) without regard to subparagraph (D) thereof) have a vested account balance of at least \$2,500,000, the plan administrator shall file a statement with the Secretary which includes—~~

~~“(i) the name and identifying number of each such participant (without regard to whether such participant has separated from employment), and~~

~~“(ii) the amount to which each such participant is entitled.~~

~~“(B) INCLUSION IN REGISTRATION STATEMENT.— If both subparagraph (A) and paragraph (1) apply to a plan, the plan administrator shall include the information required under subparagraph (A) in the registration statement under paragraph (1) rather than file a statement under subparagraph (A).~~

~~“(C) ADJUSTMENTS FOR INFLATION.— In the case of any plan year beginning after 2022, the \$2,500,000 amount under subparagraph (A) shall be increased by an amount equal to the product of—~~

~~“(i) such dollar amount, and~~

~~“(ii) the cost-of-living adjustment under section 1(f)(3) for the calendar year in which such taxable year begins, determined by substituting ‘calendar year 2021’ for ‘calendar year 1992’ in subparagraph (B) thereof.~~

~~If the amount as adjusted under the preceding sentence is not a multiple of \$250,000, such amount shall be rounded to the next lowest multiple of \$250,000.”.~~

~~(d) EFFECTIVE DATES.—~~

~~(1) IN GENERAL.— The amendments made by subsections (a) and (b) shall apply to taxable years beginning after December 31, 2021.~~

~~(2) PLAN REQUIREMENTS.— The amendments made by subsection (c) shall apply to plan years beginning after December 31, 2021.~~

**\* Sec. 138302. Increase in minimum required distributions for high-income taxpayers with large retirement account balances**

~~(a) IN GENERAL.—~~

Section 4974 is amended by adding at the end the following:

~~“(e) INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS FOR HIGH-INCOME TAXPAYERS WITH LARGE AGGREGATE ACCOUNT BALANCES.—~~

~~"(1) IN GENERAL.— If this subsection applies to a payee who is an applicable taxpayer (as defined in section 409B(b)(4)) for a taxable year—~~

~~"(A) all qualified retirement plans and eligible deferred compensation plans of the payee which are applicable retirement plans taken into account in computing the excess described in paragraph (3)(A) shall be treated as 1 plan solely for purposes of applying this section to the increase in minimum required distributions for such taxable year determined under subparagraph (B), and~~

~~"(B) the minimum required distributions under this section for all plans treated as 1 plan under subparagraph (A) with respect to such payee for such taxable year shall be increased by the excess (if any) of—~~

~~"(i) the sum of—~~

~~"(I) if paragraph (2) applies to such taxable year, the applicable Roth excess amount, plus~~

~~"(II) 50 percent of the excess determined under paragraph (3)(A), reduced by the applicable Roth excess amount, over~~

~~"(ii) the sum of the minimum required distributions (determined without regard to this subsection) for all such plans.~~

~~"(2) APPLICABLE ROTH EXCESS AMOUNT.—~~

~~"(A) APPLICATION.— For purposes of paragraph (1)(B)(i), this paragraph applies to a taxable year of a payee if the aggregate vested balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which the taxable year begins) exceed 200 percent of the applicable dollar amount for the calendar year in which the taxable year begins.~~

~~"(B) APPLICABLE ROTH EXCESS AMOUNT.— The applicable Roth excess amount for any taxable year to which this paragraph applies is an amount equal to the lesser of—~~

~~"(i) the excess determined under subparagraph (A), or~~

~~"(ii) the aggregate balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all Roth IRAs and designated Roth accounts (within the meaning of section 402A) as of the time described in subparagraph (A).~~

~~"(3) APPLICATION.— This subsection shall apply to a payee for a taxable year—~~

~~"(A) if the aggregate vested balances to the credit of the payee (whether as a participant, owner, or beneficiary) in all applicable retirement plans (determined as of the close of the calendar year preceding the calendar year in which the taxable year begins) exceed the applicable dollar amount for the calendar year in which the taxable year begins, and~~

~~"(B) without regard to whether amounts with respect to the payee are otherwise required to be distributed under section 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2).~~

~~"(4) COORDINATION AND ALLOCATION.—~~

~~"(A) MINIMUM DISTRIBUTION REQUIREMENTS.— If this subsection applies to a payee for any taxable year—~~

~~"(i) this section shall apply first to minimum required distributions determined without regard to this subsection and then to any increase in minimum required distributions by reason of this subsection, and~~

~~"(ii) nothing in this subsection shall be construed to affect the amount of any minimum required distribution determined without regard to this subsection or the plan or plans from which it is required to be distributed from.~~

~~"(B) ALLOCATION OF INCREASE IN MINIMUM REQUIRED DISTRIBUTIONS.—~~

~~"(i) IN GENERAL.— Except as provided in clauses (ii) and (iii), the taxpayer may, in such form and manner as the Secretary may prescribe, allocate any increase in minimum required distributions by reason of this subsection to applicable retirement plans treated as 1 plan under subparagraph (A) in such manner as the taxpayer chooses.~~

~~"(ii) ALLOCATION TO ROTH IRAs AND ACCOUNTS.— In the case of a taxable year to which paragraph (2) applies, the portion of any increase in minimum required distributions by reason of this subsection equal to the applicable Roth excess amount shall be allocated first to Roth IRAs and then to designated Roth accounts (within the meaning of section 402A) of the payee.~~

~~"(iii) SPECIAL RULES FOR EMPLOYEE STOCK OWNERSHIP PLANS.— If any payee to which this subsection applies for any taxable year has account balances in 1 or more employee stock ownership plans (as defined in section 4075(c)(7)) any portion of which is invested in employer securities which are not readily tradable on a securities market, the increase in minimum required distributions by reason of this subsection shall be allocated—~~

~~"(I) first to all account balances (other than such portions) of the payee in all applicable retirement plans in the manner provided by this subparagraph (without regard to this clause), and~~

~~"(II) then to such portions in such manner as the taxpayer chooses.~~

~~The Secretary shall prescribe regulations which provide that if any such increase is allocated to any such portion of an account balance for the first taxable year of the payee beginning in 2022, the payee may elect to have such portion distributed over a period of years not greater than the period specified by the Secretary in such regulations (and any distributions made in accordance with such election shall be treated for purposes of this section as made in such first taxable year).~~

~~"(5) DISTRIBUTIONS NOT ELIGIBLE FOR ROLLOVERS.— For purposes of determining whether a distribution is an eligible rollover distribution, any distribution from an applicable retirement plan which is attributable to any increase in minimum required distributions by reason of this subsection shall be treated as a distribution required under section 401(a)(9), 403(b)(10), 408(a)(6), 408(b)(3), or 457(d)(2), whichever is applicable.~~

~~"(6) DEFINITIONS.— For purposes of this subsection, any term used in this subsection which is also used in section 409B shall have the same meaning as when such term is used in such section."~~

~~(b) SPECIAL RULES.—~~

~~(1) DISTRIBUTION RIGHTS.—~~

~~(A) QUALIFIED TRUSTS.—~~

~~Section 401(a) is amended by inserting after paragraph (38) the following new paragraph:~~

~~"(39) IMMEDIATE DISTRIBUTION RIGHT.— A trust forming part of a defined contribution plan shall not constitute a qualified trust under this section unless an employee who certifies to the plan that the employee is a taxpayer who is subject to the distribution requirements of section 4074(e) may elect to receive a distribution from the employee's account balance under the plan in such amount as the employee may elect, including any amounts attributable to a qualified cash or deferred arrangement (as defined in subsection (k)(2))."~~

~~(B) ANNUITY CONTRACTS.—~~

~~(i) CUSTODIAL ACCOUNTS.—~~

~~Section 403(b)(7)(A) is amended by adding at the end the following new flush sentence:~~

~~Notwithstanding clause (i), the custodial account shall permit an employee who certifies that the employee is a taxpayer who is subject to the distribution requirements of section 4074(e) to elect to receive a distribution from the employee's custodial account in such amount as the employee may elect.~~

~~(ii) ANNUITY CONTRACTS.— Section 403(b)(11) is amended by adding at the end the following new sentence: "Notwithstanding subparagraphs (A), (B), (C), and (D), the annuity contract shall permit an employee who certifies that the employee is a taxpayer who is subject to the distribution requirements of section 4074(e) to elect to receive a distribution of contributions made pursuant to a salary reduction agreement (within the meaning of section 402(g)(3)) from the employee's annuity contract in such amount as the employee may elect."~~

~~(C) GOVERNMENTAL PLANS.—~~

~~Section 457(d)(1) is amended by adding at the end the following new flush sentence:~~

~~Notwithstanding subparagraph (A), an eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall permit an employee who certifies that the employee is a taxpayer who is subject to the distribution requirements of section 4074(e) to elect to receive a distribution from the plan in such amount as the employee may elect.~~

~~(2) EXCEPTION FROM 10 PERCENT ADDITIONAL TAX ON EARLY DISTRIBUTIONS.—~~

~~Section 72(t)(2) is amended by adding at the end the following new subparagraph:~~

~~"(1) DISTRIBUTIONS OF EXCESS BALANCES.— Distributions from an applicable retirement plan (within the meaning of section 409B) to the extent such distributions for the taxable year do not exceed the amount required to be distributed from such plan under section 4974(e)."~~

~~(3) WITHHOLDING.— Section 3405(b) is amended by adding at the end the following new paragraph:~~

~~"(3) ADDITIONAL WITHHOLDING FOR REQUIRED DISTRIBUTIONS FROM HIGH BALANCE RETIREMENT ACCOUNTS.—~~

~~"(A) IN GENERAL.— For purposes of this section, a distribution pursuant to section 401(a)(39), the last sentence of section 403(b)(7)(A), the last sentence of section 403(b)(11), and the last sentence of section 457(d)(1) shall be treated as a nonperiodic distribution, except that in applying this subsection to such distribution—~~

~~"(i) paragraph (1) shall be applied by substituting '35 percent' for '40 percent', and~~

~~"(ii) no election may be made under paragraph (2) with respect to such distribution.~~

~~"(B) EXCEPTION.— Subparagraph (A) shall not apply to any qualified distribution from a designated Roth account (within the meaning of section 402A)."~~

~~(c) EFFECTIVE DATES.—~~

~~(1) IN GENERAL.— The amendments made by subsection (a) shall apply to taxable years beginning after December 31, 2021.~~

~~(2) PLAN REQUIREMENTS.— The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2021.~~

~~(d) PROVISIONS RELATING TO PLAN AMENDMENTS.—~~

~~(1) IN GENERAL.— If this subsection applies to any plan or contract amendment, such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in paragraph (2)(B)(i).~~

~~(2) AMENDMENTS TO WHICH SUBSECTION APPLIES.—~~

~~(A) IN GENERAL.— This subsection shall apply to any amendment to any plan or annuity contract which is made—~~

~~(i) pursuant to any amendment made by this section or pursuant to any regulation issued by the Secretary of the Treasury under this section or such amendments, and~~

~~(ii) on or before the last day of the first plan year beginning after December 31, 2022, or such later date as the Secretary of the Treasury may prescribe. In the case of a governmental or collectively bargained plan to which subparagraph (B) or (C) of subsection (a)(4) applies, clause (ii) shall be applied by substituting the date which is 2 years after the date otherwise applied under such clause.~~

~~(B) CONDITIONS.—This subsection shall not apply to any amendment unless—~~

~~(i) during the period—~~

~~(I) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified in such amendment), and~~

~~(II) ending on the date described in subparagraph (A)(ii) (or, if earlier, the date the plan or contract amendment is adopted);~~

~~the plan or contract is operated as if such plan or contract amendment were in effect; and~~

~~(ii) such plan or contract amendment applies retroactively for such period.~~

**\* Sec. 139311. Tax treatment of rollovers to Roth IRAs and accounts**

~~(a) ROLLOVERS AND CONVERSIONS LIMITED TO TAXABLE AMOUNTS.—~~

~~(1) ROTH IRAS.—~~

~~(A) IN GENERAL.—Paragraph (1) of section 408A(e) is amended by adding at the end the following new sentence: "A qualified rollover contribution shall not include any rollover contribution from any eligible retirement plan described in subparagraph (B) (other than from a designated Roth account (within the meaning of section 402A)) if any portion of the distribution from which such contribution is made would (without regard to such contribution) be treated as not includible in gross income."~~

~~(B) CONVERSIONS.—Subparagraph (C) of section 408A(d)(3) is amended by adding at the end the following new sentence: "This subparagraph shall not apply if any portion of the plan being converted would be treated as not includible in gross income if distributed at the time of the conversion."~~

~~(2) DESIGNATED ROTH ACCOUNTS.—Section 402A(c)(4)(B) is amended by inserting ", determined after the application of the last sentence of paragraph (1) thereof" after "section 408A(e)".~~

~~(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to distributions, transfers, and contributions made after December 31, 2021.~~

~~(b) NO ROLLOVERS OR CONVERSIONS FOR HIGH-INCOME TAXPAYERS.—~~

~~(1) ROTH IRAS.—~~

~~(A) QUALIFIED ROLLOVER CONTRIBUTION.—~~

~~Section 408A(e), as amended by subsection (a), is amended by adding at the end the following:~~

~~"(3) HIGH-INCOME TAXPAYERS MAY ONLY ROLLOVER FROM ROTH IRAS AND ACCOUNTS.—If—~~

~~"(A) a taxpayer is an applicable taxpayer (as defined in section 409B(b) (4)) for the taxable year in which a distribution is made, and~~

~~"(B) such distribution is contributed to a Roth IRA in a rollover contribution;~~

~~such contribution shall be treated as a qualified rollover contribution under paragraph (1) only if it is made from another Roth IRA or from a designated Roth account (within the meaning of section 402A)."~~

~~(B) ELIMINATION OF CONVERSIONS.—~~

~~Paragraph (3) of section 408A(d), as amended by subsection (a), is amended by adding at the end the following:~~

~~"(C) PARAGRAPH NOT TO APPLY TO HIGH-INCOME TAXPAYERS.— If a taxpayer is an applicable taxpayer (as defined in section 409B(b)(4)) for any taxable year, this paragraph shall not apply to any distribution to which this paragraph otherwise applies (or to any conversion described in subparagraph (C)) which is made during such taxable year."~~

~~(2) DESIGNATED ROTH ACCOUNTS.— Paragraph (4) of section 402A(e) is amended by adding at the end the following:~~

~~"(F) PARAGRAPH NOT TO APPLY TO HIGH-INCOME TAXPAYERS.— If a taxpayer is an applicable taxpayer (as defined in section 409B(b)(4)) for any taxable year, this paragraph shall not apply to any distribution to which this paragraph otherwise applies and which is made during such taxable year."~~

~~(3) EFFECTIVE DATE.— The amendments made by this subsection shall apply to distributions, transfers, and contributions made in taxable years beginning after December 31, 2031.~~

**\* ~~Sec. 138503. Prohibited transactions relating to holding DISC or FSC in individual retirement account~~**

~~(a) IN GENERAL.—~~

~~Section 4975(e)(1) is amended by striking "or" at the end of subparagraph (E), by striking the period at the end of subparagraph (F) and inserting "; or", and by adding at the end the following new subparagraph:~~

~~"(G) in the case of a DISC or FSC that receives any commission, or other payment, from an entity any stock or interest in which is owned by the individual for whose benefit an individual retirement account is maintained, holding of an interest in such DISC or FSC by the individual retirement account."~~

~~(b) SPECIAL RULES OF APPLICATION.—~~

~~Section 4975(e) is amended by adding at the end the following new paragraph:~~

~~"(8) SPECIAL RULES OF APPLICATION FOR DISC AND FSC HOLDINGS.—~~

~~"(A) INDIRECT HOLDING OF DISC OR FSC.— For purposes of paragraph (1)(G), if an individual retirement account holds an interest in an entity that owns (directly or indirectly) an interest in a DISC or FSC, the account shall be treated as holding an interest in such DISC or FSC."~~



~~"(B) CONSTRUCTIVE OWNERSHIP.— For purposes of determining ownership of stock (or any other interest) in an entity under paragraph (1)(G) and ownership of an interest in a DISC or FSC under subparagraph (A), the rules prescribed by section 318 for determining ownership shall apply, except that such section shall be applied by substituting '10 percent' for '50 percent' each place it appears.~~

~~"(G) DISC AND FSC.— For purposes of this subsection, the terms 'DISC' and 'FSC' shall have the respective meanings given such terms by section 992(a)(1) and section 922(a) (as in effect before its repeal by the FSC Repeal and Extraterritorial Income Exclusion Act of 2000)."~~

~~(e) APPLICATION OF TAX TO TERMINATED INDIVIDUAL RETIREMENT ACCOUNTS.— Section 4975(e)(3) is amended by adding at the end the following: "The preceding sentence shall not apply in the case of a prohibited transaction described in paragraph (1)(G)."~~

~~(d) EFFECTIVE DATE.— The amendments made by this section shall apply to stock and other interests acquired or held on or after December 31, 2021.~~

**\* Sec. 138504. Increase in tax on certain tobacco products and imposition of tax on nicotine**

~~(a) INCREASING TAX ON CIGARETTES.—~~

~~(1) SMALL CIGARETTES.— Section 5701(b)(1) is amended by striking "\$50.33" and inserting "\$100.66".~~

~~(2) LARGE CIGARETTES.— Section 5701(b)(2) is amended by striking "\$105.69" and inserting "\$211.39".~~

~~(b) TAX PARITY FOR SMALL CIGARS.— Section 5701(a)(1) is amended by striking "\$50.33" and inserting "\$100.66".~~

~~(c) TAX PARITY FOR LARGE CIGARS.— Section 5701(a)(2) is amended by striking "52.75 percent" and all that follows through the period and inserting "\$49.56 per pound and a proportionate tax at the like rate on all fractional parts of a pound but not less than 10.06 cents per cigar."~~

~~(d) TAX PARITY FOR SMOKELESS TOBACCO.—~~

~~(1) Section 5701(e) is amended—~~

~~(A) in paragraph (1), by striking "\$1.51" and inserting "\$26.84";~~

~~(B) in paragraph (2), by striking "50.33 cents" and inserting "\$10.70", and~~

~~(C) by adding at the end the following new paragraph:~~

~~"(3) SMOKELESS TOBACCO SOLD IN DISCRETE SINGLE-USE UNITS.— On discrete single-use units, \$100 per thousand."~~

~~(2) Section 5702(m) is amended—~~

~~(A) in paragraph (1), by striking "or chewing tobacco" and inserting ", chewing tobacco, or discrete single-use unit";~~

~~(B) in paragraphs (2) and (3), by inserting "and that is not a discrete single-use unit" before the period at the end of each such paragraph, and~~

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

~~"(4) DISCRETE SINGLE-USE UNIT.—The term 'discrete single-use unit' means any product containing tobacco that—~~

~~"(A) is not intended to be smoked, and~~

~~"(B) is in the form of a lozenge, tablet, pill, pouch, dissolvable strip, or other discrete single-use or single-dose unit."~~

~~(e) TAX PARITY FOR PIPE TOBACCO.—Section 5701(f) is amended by striking "\$2.8344 cents" and inserting "\$49.56".~~

~~(f) TAX PARITY FOR ROLL-YOUR-OWN TOBACCO.—Section 5701(g) is amended by striking "\$24.78" and inserting "\$49.56".~~

~~(g) TAX PARITY FOR ROLL-YOUR-OWN TOBACCO AND CERTAIN PROCESSED TOBACCO.—Section 5702(e) is amended by inserting ", and includes processed tobacco that is removed for delivery or delivered to a person other than a person with a permit provided under section 5713, but does not include removals of processed tobacco for exportation" after "wrappers thereof".~~

~~(h) IMPOSITION OF TAX ON NICOTINE FOR USE IN VAPING, ETC.—~~

~~(1) IN GENERAL.—Section 5701 is amended by redesignating subsection (h) as subsection (i) and by inserting after subsection (g) the following new subsection:~~

~~"(h) NICOTINE.—On taxable nicotine, manufactured in or imported into the United States, there shall be imposed a tax equal to the dollar amount specified in section 5701(b)(1) per 1,810 milligrams of nicotine (and a proportionate tax at the like rate on any fractional part thereof)."~~

~~(2) TAXABLE NICOTINE.—Section 5702 is amended by adding at the end the following new subsection:~~

~~"(q) TAXABLE NICOTINE.—~~

~~"(1) IN GENERAL.—Except as otherwise provided in this subsection, the term 'taxable nicotine' means any nicotine which has been extracted, concentrated, or synthesized.~~

~~"(2) EXCEPTION FOR PRODUCTS APPROVED BY FOOD AND DRUG ADMINISTRATION.—Such term shall not include any nicotine if the manufacturer or importer thereof demonstrates to the satisfaction of the Secretary of Health and Human Services that such nicotine will be used in—~~

~~"(A) a drug—~~

~~"(i) that is approved under section 505 of the Federal Food, Drug, and Cosmetic Act or licensed under section 351 of the Public Health Service Act; or~~

~~"(ii) for which an investigational use exemption has been authorized under section 505(i) of the Federal Food, Drug, and Cosmetic Act or under section 351(a) of the Public Health Service Act; or~~

~~"(B) a combination product (as described in section 503(g) of the Federal Food, Drug, and Cosmetic Act), the constituent parts of which were approved or cleared under section 505, 510(k), or 515 of such Act.~~

~~"(3) COORDINATION WITH TAXATION OF OTHER TOBACCO PRODUCTS.— Tobacco products meeting the definition of cigars, cigarettes, smokeless tobacco, pipe tobacco, and roll-your-own tobacco in this section shall be classified and taxed as such despite any concentration of the nicotine inherent in those products or any addition of nicotine to those products during the manufacturing process.~~

~~"(4) REGULATIONS.— The Secretary shall prescribe such regulations or other guidance as is necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance for coordinating the taxation of tobacco products and taxable nicotine to protect revenue and prevent double taxation."~~

~~(3) TAXABLE NICOTINE TREATED AS A TOBACCO PRODUCT.— Section 5702(e) is amended by striking "and roll-your-own tobacco" and inserting "roll-your-own tobacco, and taxable nicotine".~~

~~(4) MANUFACTURER OF TAXABLE NICOTINE.— Section 5702, as amended by paragraph (2), is amended by adding at the end the following new subsection:~~

~~"(f) MANUFACTURER OF TAXABLE NICOTINE.—~~

~~"(1) IN GENERAL.— Any person who extracts, concentrates, or synthesizes nicotine shall be treated as a manufacturer of taxable nicotine (and as manufacturing such taxable nicotine).~~

~~"(2) APPLICATION OF RULES RELATED TO MANUFACTURERS OF TOBACCO PRODUCTS.— Any reference to a manufacturer of tobacco products, or to manufacturing tobacco products, shall be treated as including a reference to a manufacturer of taxable nicotine, or to manufacturing taxable nicotine, respectively."~~

~~(j) REPEAL OF SPECIAL RULES FOR DETERMINING PRICE OF CIGARS.— Section 5702 is amended by striking subsection (f).~~

~~(k) FLOOR STOCKS TAXES.—~~

~~(1) IMPOSITION OF TAX.— On covered tobacco products, and cigarette papers and tubes, manufactured in or imported into the United States which are removed before the tax increase date and held on such date for sale by any person, there is hereby imposed a tax in an amount equal to the excess of—~~

~~(A) the tax which would be imposed under section 5704 of the Internal Revenue Code of 1986 on the article if the article had been removed on such date, over~~

~~(B) the prior tax (if any) imposed under section 5704 of such Code on such article.~~

~~(2) COVERED TOBACCO PRODUCTS.— For purposes of this subsection, the term "covered tobacco products" means any tobacco product other than—~~

~~(A) cigars described in section 5704(a)(2) of the Internal Revenue Code of 1986,~~

~~(B) discrete single-use units (as defined in section 5702(m)(4) of such Code, as amended by this section), and~~

~~(C) taxable nicotine (as defined in section 5702(q) of such Code, as amended by this section):~~

~~(3) CREDIT AGAINST TAX.—~~ Each person shall be allowed as a credit against the taxes imposed by paragraph (1) an amount equal to the lesser of \$1,000 or the amount of such taxes. For purposes of the preceding sentence, all persons treated as a single employer under subsection (b), (c), (m), or (o) of section 414 of the Internal Revenue Code of 1986 shall be treated as 1 person for purposes of this paragraph.

~~(4) LIABILITY FOR TAX AND METHOD OF PAYMENT.—~~

~~(A) LIABILITY FOR TAX.—~~ The person referred to in paragraph (1) shall be liable for the tax imposed by such paragraph.

~~(B) METHOD OF PAYMENT.—~~ The tax imposed by paragraph (1) shall be paid in such manner as the Secretary may provide.

~~(5) ARTICLES IN FOREIGN TRADE ZONES.—~~

~~(A) IN GENERAL.—~~ Notwithstanding the Act of June 18, 1934 (commonly known as the Foreign Trade Zone Act, 48 Stat. 998, 19 U.S.C. 81a et seq.) or any other provision of law, any covered tobacco products, or cigarette papers and tubes, which are located in a foreign trade zone on the tax increase date, shall be subject to the tax imposed by paragraph (1) if—

~~(i) internal revenue taxes have been determined, or customs duties liquidated, with respect to such article before such date pursuant to a request made under the 1st proviso of section 3(a) of such Act, or~~

~~(ii) such article is held on such date under the supervision of an officer of the United States Customs and Border Protection of the Department of Homeland Security pursuant to the 2d proviso of such section 3(a).~~

~~(6) TAX INCREASE DATE.—~~ For purposes of this subsection, the term "tax increase date" means the first day of the first calendar quarter described in subsection (k)(1).

~~(7) CERTAIN OTHER DEFINITIONS.—~~ Terms used in this subsection which are also used in section 5702 of the Internal Revenue Code of 1986 shall have the same meaning as when used in such section.

~~(I) EFFECTIVE DATE.—~~

~~(1) IN GENERAL.—~~ Except as otherwise provided in this subsection, the amendments made by this section shall apply to articles removed in calendar quarters beginning after the date of the enactment of this Act.

~~(2) DELAYED EFFECTIVE DATE FOR CERTAIN PRODUCTS.—~~ The amendments made by subsections (c), (d)(1)(C), (d)(2), and (h) shall apply to articles removed in calendar quarters beginning after the date which is 180 days after the date of the enactment of this Act.

~~(m) TRANSITION RULE FOR PERMIT AND BOND REQUIREMENTS.—~~ A person which is lawfully engaged in business as a manufacturer or importer of taxable nicotine (within the meaning of subsection (d) of section 5702 of the Internal Revenue Code of 1986, as amended by this section) on the date of the enactment of this Act, first becomes subject to the

requirements of subchapter B of chapter 52 of such Code by reason of the amendments made by this section, and submits an application under such subchapter B to engage in such business not later than 90 days after the date of the enactment of this Act, shall not be denied the right to carry on such business by reason of such requirements before final action on such application.

**\* ~~Sec. 138505. Clarification of rules regarding tobacco drawback~~**

~~(a) IN GENERAL.—~~ Section 5706 is amended by adding at the end the following: "Exemption from tax under section 5704 is drawback, and no further drawback shall be allowed based on merchandise that has not been subject to tax."

~~(b) EFFECTIVE DATE.—~~ The amendment made by this section shall apply to drawback claims made on or after December 18, 2018.

~~(c) NO INFERENCE.—~~ Nothing contained in this subsection or the amendments made by this subsection shall be construed to create any inference with respect to any drawback claim made before December 18, 2018.

**\* ~~Sec. 138506. Termination of employer credit for paid family and medical leave~~**

~~Section 45S(i) is amended by striking "December 31, 2025" and inserting "December 31, 2023".~~

**\* ~~Sec. 138517. Payroll credit for compensation of local news journalists~~**

~~(a) IN GENERAL.—~~ In the case of an eligible local newspaper publisher, there shall be allowed as a credit against applicable employment taxes for each calendar quarter an amount equal to the applicable percentage of wages paid by such publisher to local news journalists for such calendar quarter.

~~(b) LIMITATIONS AND REFUNDABILITY.—~~

~~(1) WAGES TAKEN INTO ACCOUNT.—~~ The amount of wages paid with respect to any individual which may be taken into account under subsection (a) during any calendar quarter by the eligible local newspaper publisher shall not exceed \$12,500.

~~(2) CREDIT LIMITED TO EMPLOYMENT TAXES.—~~ The credit allowed by subsection (a) with respect to any calendar quarter shall not exceed the applicable employment taxes (reduced by any credits allowed under sections 3131, 3132, 3134, and 6432 of the Internal Revenue Code of 1986) on the wages paid with respect to the employment of all the employees of the eligible local newspaper publisher for such calendar quarter.

~~(3) REFUNDABILITY OF EXCESS CREDIT.—~~

~~(A) IN GENERAL.—~~ If the amount of the credit under subsection (a) exceeds the limitation of paragraph (2) for any calendar quarter, such excess shall be treated as an overpayment that shall be refunded under sections 6402(a) and 6413(b) of the Internal Revenue Code of 1986.

~~(B) TREATMENT OF PAYMENTS.—~~ For purposes of section 1324 of title 31, United States Code, any amounts due to the employer under this paragraph shall be treated in the same manner as a refund due from a credit provision referred to in subsection (b)(2) of such section.

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

~~(1) APPLICABLE PERCENTAGE.—The term "applicable percentage" means—~~

~~(A) in the case of each of the first 4 calendar quarters to which this section applies, 50 percent, and~~

~~(B) in the case of each calendar quarter thereafter, 30 percent.~~

~~(2) APPLICABLE EMPLOYMENT TAXES.—The term "applicable employment taxes" means the taxes imposed under section 3111(b) of the Internal Revenue Code of 1986.~~

~~(3) ELIGIBLE LOCAL NEWSPAPER PUBLISHER.—The term "eligible local newspaper publisher" means, with respect to any calendar quarter, any employer if substantially all of the gross receipts of such employer for such calendar quarter are derived in the trade or business of publishing a local newspaper.~~

~~(4) LOCAL NEWSPAPER.—The term "local newspaper" means any print or digital publication if—~~

~~(A) the primary content of such publication is original content derived from primary sources and relating to news and current events;~~

~~(B) such publication primarily serves the needs of a regional or local community;~~

~~(C) the publisher of such publication employs at least one local news journalist who resides in such regional or local community, and~~

~~(D) the publisher of such publication employs no more than 750 employees during the calendar quarter with respect to which a credit is allowed under this section.~~

~~(5) LOCAL NEWS JOURNALIST.—The term "local news journalist" means, with respect to any eligible local newspaper publisher for any calendar quarter, an individual who provides at least 100 hours of service during such calendar quarter to such eligible local newspaper publisher, during which time such individual regularly gathers, collects, photographs, records, writes, or reports news or information that concerns local events or other matters of local public interest.~~

~~(6) SECRETARY.—The term "Secretary" means the Secretary of the Treasury or the Secretary's delegate.~~

~~(7) WAGES.—The term "wages" means wages (as defined in section 3121(a) of the Internal Revenue Code of 1986).~~

~~(8) OTHER TERMS.—Any term used in this section which is also used in chapter 21 or chapter 22 of the Internal Revenue Code of 1986 shall have the same meaning as when used in such chapter.~~

~~(d) AGGREGATION RULE.—~~

~~(1) IN GENERAL.—All persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986, or subsection (m) or (o) of section 414 of such Code, shall be treated as one employer for purposes of this section.~~

~~(2) EXCEPTION.—Paragraph (1) shall not apply unless such persons are involved in the production of the same print or digital publication.~~