

# H. R. 1

To provide for reconciliation pursuant to title II of the concurrent resolution on the budget for fiscal year 2018.

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## IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 2, 2017

Mr. BRADY of Texas (for himself, Mr. RYAN of Wisconsin, Mr. SAM JOHNSON of Texas, Mr. NUNES, Mr. TIBERI, Mr. REICHERT, Mr. ROSKAM, Mr. BUCHANAN, Mr. SMITH of Nebraska, Ms. JENKINS of Kansas, Mr. PAULSEN, Mr. MARCHANT, Mrs. BLACK, Mr. REED, Mr. KELLY of Pennsylvania, Mr. RENACCI, Mr. MEEHAN, Mrs. NOEM, Mr. HOLDING, Mr. SMITH of Missouri, Mr. RICE of South Carolina, Mr. SCHWEIKERT, Mrs. WALORSKI, Mr. CURBELO of Florida, and Mr. BISHOP of Michigan) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To provide for reconciliation pursuant to title II [and V](#) of the concurrent resolution on the budget for fiscal year 2018.

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

### **SECTION 1. SHORT TITLE; ETC.**

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

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

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

Sec. 1. Short title; etc.

## TITLE I—TAX REFORM FOR INDIVIDUALS

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

- Sec. 1001. Reduction and simplification of individual income tax rates.
- Sec. 1002. Enhancement of standard deduction.
- Sec. 1003. Repeal of deduction for personal exemptions.
- Sec. 1004. Maximum rate on business income of individuals.
- Sec. 1005. Conforming amendments related to simplification of individual income tax rates.

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

- Sec. 1101. Enhancement of child tax credit and new family tax credit.
- Sec. 1102. Repeal of nonrefundable credits.
- Sec. 1103. Refundable credit program integrity.
- [Sec. 1104 Procedures to reduce improper claims of earned income credit.](#)
- [Sec. 1105 Certain income disallowed for purposes of the earned income tax credit.](#)

### Subtitle C—Simplification and Reform of Education Incentives

- Sec. 1201. American opportunity tax credit.
- Sec. 1202. Consolidation of education savings rules.
- Sec. 1203. Reforms to discharge of certain student loan indebtedness.
- Sec. 1204. Repeal of other provisions relating to education.
- [Sec. 1205 Rollovers between qualified tuition programs and qualified ABLE programs.](#)

### Subtitle D—Simplification and Reform of Deductions

- Sec. 1301. Repeal of overall limitation on itemized deductions.
- Sec. 1302. Mortgage interest.
- Sec. 1303. Repeal of deduction for certain taxes not paid or accrued in a trade or business.
- Sec. 1304. Repeal of deduction for personal casualty losses.
- Sec. 1305. Limitation on wagering losses.
- Sec. 1306. Charitable contributions.
- Sec. 1307. Repeal of deduction for tax preparation expenses.
- Sec. 1308. Repeal of medical expense deduction.
- Sec. 1309. Repeal of deduction for alimony payments.
- Sec. 1310. Repeal of deduction for moving expenses.
- Sec. 1311. Termination of deduction and exclusions for contributions to medical savings accounts.
- Sec. 1312. Denial of deduction for expenses attributable to the trade or business of being an employee.

### Subtitle E—Simplification and Reform of Exclusions and Taxable

#### Compensation

- Sec. 1401. Limitation on exclusion for employer-provided housing.
- Sec. 1402. Exclusion of gain from sale of a principal residence.
- Sec. 1403. Repeal of exclusion, etc., for employee achievement awards.
- Sec. 1404. ~~Repeal~~[Sunset](#) of exclusion for dependent care assistance programs.
- Sec. 1405. Repeal of exclusion for qualified moving expense reimbursement.
- Sec. 1406. Repeal of exclusion for adoption assistance programs.

Subtitle F—Simplification and Reform of Savings, Pensions, Retirement

Sec. 1501. Repeal of special rule permitting recharacterization of Roth IRA contributions as traditional IRA contributions.

Sec. 1502. Reduction in minimum age for allowable in-service distributions. Sec. 1503. Modification of rules governing hardship distributions.

Sec. 1504. Modification of rules relating to hardship withdrawals from cash or deferred arrangements.

Sec. 1505. Extended rollover period for the rollover of plan loan offset amounts in certain cases.

Sec. 1506. Modification of nondiscrimination rules to protect older, longer service participants.

Subtitle G—Estate, Gift, and Generation-skipping Transfer Taxes

Sec. 1601. Increase in credit against estate, gift, and generation-skipping transfer tax.

Sec. 1602. Repeal of estate and generation-skipping transfer taxes.

TITLE II—ALTERNATIVE MINIMUM TAX REPEAL

Sec. 2001. Repeal of alternative minimum tax.

TITLE III—BUSINESS TAX REFORM

Subtitle A—Tax Rates

Sec. 3001. Reduction in corporate tax rate.

Subtitle B—Cost Recovery

Sec. 3101. Increased expensing.

Subtitle C—Small Business Reforms

Sec. 3201. Expansion of section 179 expensing.

Sec. 3202. Small business accounting method reform and simplification.

Sec. 3203. Small business exception from limitation on deduction of business interest.

[Sec. 3204. Modification of treatment of S corporation conversions to C corporations.](#)

Subtitle D—Reform of Business-related Exclusions, Deductions, etc.

Sec. 3301. Interest.

Sec. 3302. Modification of net operating loss deduction.

Sec. 3303. Like-kind exchanges of real property.

Sec. 3304. Revision of treatment of contributions to capital.

Sec. 3305. Repeal of deduction for local lobbying expenses.

Sec. 3306. Repeal of deduction for income attributable to domestic production activities.

Sec. 3307. Entertainment, etc. expenses.

Sec. 3308. Unrelated business taxable income increased by amount of certain fringe benefit expenses for which deduction is disallowed.

Sec. 3309. Limitation on deduction for FDIC premiums.

Sec. 3310. Repeal of rollover of publicly traded securities gain into specialized small business investment companies.

Sec. 3311. Certain self-created property not treated as a capital asset.

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Sec. 3313. Repeal of technical termination of partnerships.

[Sec. 3314. Recharacterization of certain gains in the case of partnership profits interests held in connection with the performance of investment services.](#)

[Sec. 3315. Amortization of research and experimental expenditures.](#)

[Sec. 3316. Uniform treatment of expenses in contingency fee cases.](#)

#### Subtitle E—Reform of Business Credits

Sec. 3401. Repeal of credit for clinical testing expenses for certain drugs for rare diseases or conditions.

Sec. 3402. Repeal of employer-provided child care credit.

Sec. 3403. Repeal of rehabilitation credit.

Sec. 3404. Repeal of work opportunity tax credit.

Sec. 3405. Repeal of deduction for certain unused business credits.

Sec. 3406. Termination of new markets tax credit.

Sec. 3407. Repeal of credit for expenditures to provide access to disabled individuals.

Sec. 3408. Modification of credit for portion of employer social security taxes paid with respect to employee tips.

#### Subtitle F—Energy Credits

Sec. 3501. Modifications to credit for electricity produced from certain renewable resources.

Sec. 3502. Modification of the energy investment tax credit.

Sec. 3503. Extension and phaseout of residential energy efficient property.

Sec. 3504. Repeal of enhanced oil recovery credit.

Sec. 3505. Repeal of credit for producing oil and gas from marginal wells.

Sec. 3506. Modifications of credit for production from advanced nuclear power facilities.

#### Subtitle G—Bond Reforms

Sec. 3601. Termination of private activity bonds.

Sec. 3602. Repeal of advance refunding bonds.

Sec. 3603. Repeal of tax credit bonds.

Sec. 3604. No tax exempt bonds for professional stadiums.

#### Subtitle H—Insurance

Sec. 3701. Net operating losses of life insurance companies.

Sec. 3702. Repeal of small life insurance company deduction.

Sec. 3703. ~~Computation of~~ [Surtax on life insurance tax reserves company taxable income.](#)

Sec. 3704. Adjustment for change in computing reserves.

~~Sec. 3705. Modification of rules for life insurance proration for purposes of determining the dividends received deduction.~~

Sec. 3706. Repeal of special rule for distributions to shareholders from pre-1984 policyholders surplus account.

Sec. 3707. Modification of proration rules for property and casualty insurance companies.

Sec. 3708. Modification of discounting rules for property and casualty insurance companies.

Sec. 3709. Repeal of special estimated tax payments.

~~Sec. 3710. Capitalization of certain policy acquisition expenses.~~

#### Subtitle I—Compensation

~~Sec. 3801. Nonqualified deferred compensation.~~

Sec. 3802. Modification of limitation on excessive employee remuneration.

Sec. 3803. Excise tax on excess tax-exempt organization executive compensation.

[Sec. 3804 Treatment of qualified equity grants.](#)

[Sec. 3805. Modification of treatment of qualified equity grants.](#)

TITLE IV—TAXATION OF FOREIGN INCOME AND FOREIGN PERSONS

Subtitle A—Establishment of Participation Exemption System for Taxation of Foreign Income

- Sec. 4001. Deduction for foreign-source portion of dividends received by domestic corporations from specified 10-percent owned foreign corporations.
- Sec. 4002. Application of participation exemption to investments in United States property.
- Sec. 4003. Limitation on losses with respect to specified 10-percent owned foreign corporations.
- Sec. 4004. Treatment of deferred foreign income upon transition to participation exemption system of taxation.

Subtitle B—Modifications Related to Foreign Tax Credit System

- Sec. 4101. Repeal of section 902 indirect foreign tax credits; determination of section 960 credit on current year basis.
- Sec. 4102. Source of income from sales of inventory determined solely on basis of production activities.

Subtitle C—Modification of Subpart F Provisions

- Sec. 4201. Repeal of inclusion based on withdrawal of previously excluded subpart F income from qualified investment.
- Sec. 4202. Repeal of treatment of foreign base company oil related income as subpart F income.
- Sec. 4203. Inflation adjustment of de minimis exception for foreign base company income.
- Sec. 4204. Look-thru rule for related controlled foreign corporations made permanent.
- Sec. 4205. Modification of stock attribution rules for determining status as a controlled foreign corporation.
- Sec. 4206. Elimination of requirement that corporation must be controlled for 30 days before subpart F inclusions apply.

Subtitle D—Prevention of Base Erosion

- Sec. 4301. Current year inclusion by United States shareholders with foreign high returns.
- Sec. 4302. Limitation on deduction of interest by domestic corporations which are members of an international financial reporting group.
- Sec. 4303. Excise tax on certain payments from domestic corporations to related foreign corporations; election to treat such payments as effectively connected income.

Subtitle E—Provisions Related to Possessions of the United States

- Sec. 4401. Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 4402. Extension of temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the Virgin Islands.
- Sec. 4403. Extension of American Samoa economic development credit.

Subtitle F—Other International Reforms

- Sec. 4501. Restriction on insurance business exception to passive foreign investment company rules.

TITLE V—EXEMPT ORGANIZATIONS

Subtitle A—Unrelated Business Income Tax

- Sec. 5001. Clarification of unrelated business income tax treatment of entities treated as exempt from taxation under section 501(a).
- Sec. 5002. Exclusion of research income limited to publicly available research.

Subtitle B—Excise Taxes

- Sec. 5101. Simplification of excise tax on private foundation investment income.
- Sec. 5102. Private operating foundation requirements relating to operation of art museum.
- Sec. 5103. Excise tax based on investment income of private colleges and universities.
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Subtitle C—Requirements for Organizations Exempt From Tax

- Sec. 5201. ~~Churches~~ 501(c)(3) organizations permitted to make statements relating to political campaign in ordinary course of ~~religious services and~~ activities.
- Sec. 5202. Additional reporting requirements for donor advised fund sponsoring organizations.

## TITLE I—TAX REFORM FOR INDIVIDUALS

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

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

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

“SEC. 1. TAX IMPOSED.

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

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

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

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

“(B) in the case of any other individual (other than an estate or trust), an amount equal to  $\frac{1}{2}$  of the amount in effect for the taxable year under subparagraph (A), and

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

“(c) INFLATION ADJUSTMENT.—

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

“(A) such dollar amount, multiplied by

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

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

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

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

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

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

“(B) SPECIAL RULE FOR ADJUSTMENTS WITH A BASE YEAR AFTER 2016.—For purposes of any provision which provides for the substitution of a year after 2016 for ‘2016’ in subparagraph (A)(ii), subparagraph (A) shall be

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

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

“(A) in the case of a joint return or a surviving spouse, \$1,200,000,  
“(B) in the case of a married individual filing a separate return, an amount equal to  $\frac{1}{2}$  of the amount in effect for the taxable year under \_\_\_\_\_ subparagraph \_\_\_\_\_ (A), \_\_\_\_\_ and  
“(BC) in the case of any other individual, \$1,000,000.”.

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

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

(1) IN GENERAL.—

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

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

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



which is used in connection with such activity as of the end of the taxable year (determined without regard to sections 168(k) and 179).

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

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

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

“(A) the least of—

“(i) qualified active business income,

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

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

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

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

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

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

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

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

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

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

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

“(B) in the case of an individual who is the head of a household (as defined in section 2(b)),  $\frac{3}{4}$  of the amount in effect for the taxable year under subparagraph (A), and

“(C) in the case of any other individual,  $\frac{1}{2}$  of the amount in effect for the taxable year under subparagraph (A).

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

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

“(B) in the case of an individual who is the head of a household (as defined in section 2(b)),  $\frac{3}{4}$  of the amount in effect for the taxable year under subparagraph (A), and

“(C) in the case of any other individual,  $\frac{1}{2}$  of the amount in effect for the taxable year under subparagraph (A).

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

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

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under subsection (c)(2)(A) for the calendar year in which the taxable year begins,

determined by substituting ‘calendar year 2017’ for ‘calendar year 2016’ in clause (ii) thereof.

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

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

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

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

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

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

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

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

dividend income.

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

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

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

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

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

~~(c) NET EARNINGS FROM SELF-EMPLOYMENT.—(1) APPLICATION TO LABOR PERCENTAGE OF DISTRIBUTIVE AND PRO RATA SHARES.—Section 1402(a) is amended—~~

~~(A) by striking “the gross income derived by an individual from any trade or business carried on by such individual, less the deductions allowed by this subtitle which are attributable to such trade or business, plus his distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which he is a member” and inserting “the labor percentage of the gross income derived by an individual from any trade or business carried on by such individual, less the labor percentage of the deductions allowed by this subtitle which are attributable to such trade~~

~~or business, plus the labor percentage of such individual's distributive share (whether or not distributed) of income or loss described in section 702(a)(8) from any trade or business carried on by a partnership of which such individual is a member, plus the labor percentage of such individual's pro rata share (whether or not distributed) of nonseparately computed income or loss (as defined in section 1366(a)(2)) from any trade or business carried on by an S corporation in which such individual is a shareholder", and~~

~~(B) by striking "and such distributive share of partnership ordinary income or loss" and inserting ", such distributive share of partnership ordinary income or loss, and such pro rata share of S corporation nonseparately computed income or loss".~~

~~(2) LABOR PERCENTAGE.—Section 1402 is amended by adding at the end the following new subsection:~~

~~"(m) LABOR PERCENTAGE.—~~

~~"(1) IN GENERAL.—For purposes of this section, the term 'labor percentage' means, with respect to any income or loss, the excess (expressed as a percentage) of 1 minus the capital percentage (expressed as a decimal) with respect to such income or loss.~~

~~"(2) CAPITAL PERCENTAGE.—For purposes of paragraph (1), the term 'capital percentage' means the percentage which applied with respect to such income or loss under section 4(b)(1)(B).~~

~~"(3) ADJUSTMENT FOR S CORPORATION WAGES.—For purposes of this subsection, proper adjustment shall be made for wages paid to the taxpayer with respect to any trade or business carried on by an S~~

~~corporation in which the taxpayer is a shareholder.”.~~

~~(3) APPLICATION TO RENTAL INCOME.—Section 1402(a) is amended by striking paragraph (1).~~

~~(4) APPLICATION TO LIMITED PARTNERS.—Section 1402(a) is amended by striking paragraph (13).~~

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

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

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

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

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

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

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

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

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

(b) OTHER CONFORMING AMENDMENTS.—

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

~~“(aa) who is described in~~

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

(2) Section 486B(b)(1) is amended—

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

(B) by striking “section 1(e)” and inserting “section 1”.

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

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

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

“Sec. 24. Child and ~~dependent~~family tax credit.”.

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

(1) by striking “\$110,000” in subparagraph (A) and inserting “\$230,000”,

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

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

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

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

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

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

“(iii) by substituting ‘\$1,000’ for ‘\$1,600’ in subsection (a)(1), or”.

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

“(3) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2017, the \$1,000 amount in paragraph (1)(A)(iii)



shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

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

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

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

**SEC. 1102. REPEAL OF NONREFUNDABLE CREDITS.**

(a) **REPEAL OF SECTION 22.**—

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

(2) **CONFORMING AMENDMENT.**—

(A) Section 86(f) is amended by striking

paragraph (1) and by redesignating paragraphs

(2), (3), and (4) as paragraphs (1), (2), and

(3), respectively.

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

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

paragraph (6) the following new paragraph:

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

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

(iv) Section 422(c)(6) is amended by striking “22(e)(3)” and inserting

“7706(f)(7)”. ~~(b) REPEAL OF SECTION 23.—Subpart A of part IV of subchapter A of chapter 1 is amended by striking section 23 (and by striking the item relating to such section in the table of sections for such subpart).~~

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

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

(dc) REPEAL OF SECTION 30D.—

(1) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is

amended by striking section 30D (and by striking the item relating to such section in the table of sections for such subpart).

(2) CONFORMING AMENDMENTS.—

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

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

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

(ed) EFFECTIVE DATE.—

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

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

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

**SEC. 1103. REFUNDABLE CREDIT PROGRAM INTEGRITY.**

(a) ~~SOCIAL SECURITY NUMBER REQUIRED TO CLAIM THE REFUNDABLE PORTION OF THE IDENTIFICATION REQUIREMENTS FOR CHILD AND FAMILY TAX CREDIT.~~—

(1) IN GENERAL.—Section 24(~~d~~), ~~as amended by the preceding provisions of this Act, is amended by redesignating paragraph (5) as paragraph (4) and by adding at the end the following new paragraph~~e) ~~is amended to read as follows:~~

~~“(5e)~~ IDENTIFICATION ~~REQUIREMENT~~REQUIREMENTS.—

“(1) REQUIREMENTS FOR QUALIFYING CHILD.—No credit shall be allowed under this section to a taxpayer with respect to any qualifying child unless the taxpayer includes the name and social security number of such qualifying child on the return of tax for the taxable year. The preceding sentence shall not

prevent a qualifying child from being treated as a dependent described in subsection (a)(2).

~~“(A) IN GENERAL.—Paragraph (1) shall not apply to any taxpayer for any taxable year unless the taxpayer includes the taxpayer’s social security number on the return of tax for such taxable year.~~

~~“(B) JOINT RETURNS.—In the case of a joint return, the requirement of subparagraph (A) shall be treated as met if the social security number of either spouse is included on such return.~~

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

~~“(C3) SOCIAL SECURITY NUMBER.—For purposes of this paragraph subsection, the term ‘social security number’ means a social security number issued to an individual by the Social Security Administration (but only if the social security number is issued to a citizen of the United States or pursuant to subclause (I) (or that portion of subclause (III) that relates to subclause subclause (I) of section 205(c)(2)(B)(i) of the Social Security Act)).”.~~

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

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

“(I) an omission of a correct social security number ~~required under section 24(d)(5) (relating to refundable portion of child tax credit)~~, or a correct TIN, required under section 24(e) (relating to child tax credit), to

be included on a return,”.

~~(3) CLERICAL AMENDMENT.—The heading for section 24(e) is amended by striking “IDENTIFICATION REQUIREMENTS” and inserting “GENERAL IDENTIFICATION REQUIREMENTS”.~~

(b) SOCIAL SECURITY NUMBER MUST BE PROVIDED.—

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

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

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

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

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

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

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

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

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

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

- (1) in part VII by striking sections 221 and 222 (and by striking the items relating to such sections in the table of sections for such part),
  - (2) in part VII by striking sections 135 and 127 (and by striking the items relating to such sections in the table of sections for such part),
- and
- (3) by striking subsection (d) of section 117.

(b) CONFORMING AMENDMENT RELATING TO SECTION 221.—

- (1) Section 62(a) is amended by striking paragraph (17).
- (2) Section 74(d) is amended by striking “221,”.
- (3) Section 86(b)(2)(A) is amended by striking “221,”.
- (4) Section 219(g)(3)(A)(ii) is amended by striking “221,”.
- (5) Section 163(h)(2) is amended by striking subparagraph (F).
- (6) Section 6050S(a) is amended—
  - (A) by inserting “or” at the end of paragraph (1),
  - (B) by striking “or” at the end of paragraph (2), and
  - (C) by striking paragraph (3).
- (7) Section 6050S(e) is amended by striking all that follows “thereof” and inserting a period.

(c) CONFORMING AMENDMENTS RELATED TO SECTION 222.—

(1) Section 62(a) is amended by striking paragraph (18).

(2) Section 74(d)(2)(B) is amended by striking “222.”

(3) Section 86(b)(2)(A) is amended by striking ‘222.’

(e4) ~~CONFORMING AMENDMENT RELATING TO SECTION 222.—~~  
Section ~~62219~~(ag)(3)(A)(ii) is amended by striking ~~paragraph (18)~~“222.”.

(d) CONFORMING AMENDMENTS RELATING TO SECTION 127.—

(1) Section 125(f)(1) is amended by striking “127,”.

(2) Section 132(j)(8) is amended by striking “which are not excludable from gross income under section 127”.

(3) Section 414(n)(3)(C) is amended by striking “127,”.

(4) Section 414(t)(2) is amended by striking “127,”.

(5) Section 3121(a)(18) is amended by striking “127,”.

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

(7) Section 3306(b)(13) is amended by “127,”.

(8) Section 3401(a)(18) is amended by striking “127,”.

(9) Section 6039D(d)(1) is amended by striking “, 127”.

(e) CONFORMING AMENDMENTS RELATING TO SECTION 117(d).—

(1) Section 117(c)(1) is amended—

(A) by striking “subsections (a) and (d)” and inserting “subsection (a)”, and

(B) by striking “or qualified tuition reduction”.

(2) Section 414(n)(3)(C) is amended by striking “117(d),”.

(3) Section 414(t)(2) is amended by striking “117(d),”.

(f) CONFORMING AMENDMENTS RELATED TO SECTION 135.—

(1) Section 74(d)(2)(B) is amended by striking “135.”

(2) Section 86(b)(2)(A) is amended by striking “135.”

(3) Section 219(g)(3)(A)(ii) is amended by striking “135.”

**(fg) EFFECTIVE DATES.—**

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

(2) AMENDMENTS RELATING TO SECTION 117(d).—The amendments made by subsections (a)(3) and (e) shall apply to amounts paid or incurred after December 31, 2017.

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

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

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

Subclause (III) shall not apply to so much of a distribution which, when added to all other contributions made to the ABLE account for the taxable year, exceeds the limitation under section 529A(b)(2)(B).”.

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



[distributions after December 31, 21 2017.](#)

## **Subtitle D—Simplification and Reform of Deductions**

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

(a) **IN GENERAL.**—Part 1 of subchapter B of chapter 1 is amended by striking section 68 (and the item relating to such section in the table of sections for such part).

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

### **SEC. 1302. MORTGAGE INTEREST.**

(a) **MODIFICATION OF LIMITATIONS.**—

(1) **IN GENERAL.**—Section 163(h)(3) is amended to read as follows:

“(3) **QUALIFIED RESIDENCE INTEREST.**—For purposes of this subsection—

“(A) **IN GENERAL.**—The term ‘qualified residence interest’ means any interest which is paid or accrued during the taxable year on indebtedness which—

“(i) is incurred in acquiring, constructing, or substantially improving any qualified residence (determined as of the time the interest is accrued) of the taxpayer, and

“(ii) is secured by such residence. Such term also includes interest on any indebtedness secured by such residence resulting from the refinancing of indebtedness meeting the requirements of the preceding sentence (or this

over its term, the expiration of the term of the 1st refinancing of such indebtedness (or if earlier, the date which is 30 years after the date of such 1st refinancing).

“(iv) BINDING CONTRACT EXCEPTION.—In the case of a taxpayer who enters into a written binding contract before November 2, 2017, to close on the purchase of a principal residence before January 1, 2018, and who purchases such residence before April 1, 2018, subparagraphs (A) and (B) shall be applied by substituting ‘April 1, 2018’ for ‘November 2, 2017’.”.

(2) CONFORMING AMENDMENTS.—

(A) Section 108(h)(2) is by striking “for ‘\$1,000,000 (\$500,000’ in clause (ii) thereof” and inserting “for ‘\$500,000 (\$250,000’ in paragraph (2)(A), and ‘\$1,000,000’ for ‘\$500,000’ in paragraph (2)(B), thereof”

~~(B) Section 163(h) is amended—~~

~~(B) Section 163(h) is amended~~ by striking subparagraphs (E) and (F) in paragraph (4), ~~and.~~

~~(ii) by striking paragraph (5).~~

(b) TAXPAYERS LIMITED TO 1 QUALIFIED RESIDENCE.—Section 163(h)(4)(A)(i) is amended to read as follows:

“(i) IN GENERAL.—The term ‘qualified residence’ means the principal residence (within the meaning of section 121) of the taxpayer. ~~Rules similar to the rules of paragraph (3)(C) shall apply for purposes of the preceding sentence.”.~~

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to interest paid or accrued in taxable years beginning after December 31, 2017, with respect to indebtedness incurred before, on, or after such date.

(2) TREATMENT OF GRANDFATHERED INDEBTEDNESS.—For application of the amendments made by this section to grandfathered indebtedness, see paragraph (3)(C), ~~and the second sentence of paragraph (4)(A)(i)~~, of section 163(h) of the Internal Revenue Code of 1986, as amended by this section.

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

(a) IN GENERAL.—Section 164(b)(5) is amended to read as follows:

“(5) LIMITATION IN CASE OF INDIVIDUALS.—In the case of a taxpayer other than a corporation—

“(A) foreign real property taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) shall not be taken into account under subsection (a)(1),

“(B) the aggregate amount of taxes (other than taxes which are paid or accrued in carrying on a trade or business or an activity described in section 212) taken into account under subsection (a)(1) and for any taxable year shall not exceed \$10,000 (\$5,000 in the case of a married individual filing a separate return),

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

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

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

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

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

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

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

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

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

**SEC. 1308. REPEAL OF MEDICAL EXPENSE DEDUCTION.**

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

(b) CONFORMING AMENDMENTS.—

defined in section 7706, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof), over

“(ii) 10 percent of the taxpayer’s adjusted gross income.”.

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

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

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

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

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

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

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

**SEC. 1309. REPEAL OF DEDUCTION FOR ALIMONY PAYMENTS.**

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

(b) **CONFORMING AMENDMENTS.**—

(1) **AMENDMENTS RELATING TO SECTION 215.**—

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

(i) Subsection (a) of section 61 is amended by striking paragraph (8) and by redesignating paragraphs (9) through (15) as paragraphs (8)

121(d)(3)(C)”.

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

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

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

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

- (1) any divorce or separation instrument (as defined in section 71(b)(2) of the Internal Revenue Code of 1986 as in effect before the date of the enactment of this Act) executed after December 31, 2017, and
- (2) any divorce or separation instrument (as so defined) executed on or before such date and modified after such date if the modification expressly provides that the amendments made by this section apply to such modification.

**SEC. 1310. REPEAL OF DEDUCTION FOR MOVING EXPENSES.**

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

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

[“\(7\) MOVING EXPENSES.—The term ‘qualified military benefit’ includes any benefit described in section 217\(g\) \(as in effect before the enactment of the Tax Cuts And Jobs Act\).”.](#)

**(bc)** CONFORMING AMENDMENTS.—

- (1) Section 62(a) is amended by striking paragraph (15).
- (2) Section 274(m)(3) is amended by striking “(other than section 217)”.
- (3) Section 3121(a) is amended by striking paragraph (11).
- (4) Section 3306(b) is amended by striking paragraph (9).
- (5) Section 3401(a) is amended by striking paragraph (15).
- (6) Section 7872(f) is amended by striking paragraph (11).

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

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

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

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

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

**(c) CONFORMING AMENDMENTS.**—

- (1) Section 62(a) is amended by striking paragraph (16).
- (2) Section 106(d) is amended by striking paragraph (2), by redesignating paragraph (3) as paragraph (6), and by inserting after paragraph (1) the following new paragraphs:

“(2) **NO CONSTRUCTIVE RECEIPT.**—No amount shall be included in the gross income of any employee solely because the employee may choose

“(2) MODIFIED ADJUSTED GROSS INCOME.— For purposes of this subsection, the term ‘modified adjusted gross income’ means, with respect to any taxable year, adjusted gross income determined after application of this section (but without regard to subsection (b)(1) and this subsection).

“(3) SPECIAL RULE FOR JOINT RETURNS.—In the case of a joint return, the average modified adjusted gross income of the taxpayer shall be determined without regard to any taxable year with respect to which the taxpayer did not file a joint return.”.

(d) CONFORMING AMENDMENTS.—

~~(1) The last paragraph of section 121(b) (relating to exclusion of gain allocated to nonqualified use) is redesignated as paragraph (5).~~

~~(2)~~ The following provisions of section 121 are each amended by striking “5-year period” each place

it appears therein and inserting “8-year period”:

- (A) Subsection (b)(5)(C)(ii)(I) ~~(as redesignated by paragraph (1)).~~
- (B) Subsection (c)(1)(B)(i)(I).
- (C) Subsection (d)(7)(B).
- (D) Subparagraphs (A) and (B) of subsection (d)(9).
- (E) Subsection (d)(10)
- (F) Subsection (d)(12)(A).

~~(3)~~ Section 121(c)(1)(B)(ii) is amended by striking “2 years” and inserting “5 years”:

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to sales and exchanges after December 31, 2017.



(a) ESTATE TAX REPEAL.—

(1) IN GENERAL.—Subchapter C of chapter 11 is amended by adding at the end the following new section:

“SEC. 2210. TERMINATION.

“(a) IN GENERAL.—Except as provided in subsection (b), this chapter shall not apply to the estates of decedents dying after December 31, ~~2023~~2024.

“(b) CERTAIN DISTRIBUTIONS FROM QUALIFIED DOMESTIC TRUSTS.—In applying section 2056A with respect to the surviving spouse of a decedent dying on or before December 31, ~~2023~~2024—

“(1) section 2056A(b)(1)(A) shall not apply to distributions made after the 10-year period beginning on such date, and

“(2) section 2056A(b)(1)(B) shall not apply after such date.”.

(2) CONFORMING AMENDMENTS.—Section 1014(b) is amended—

(A) in paragraph (6), by striking “was includible in determining” and all that follows through the end and inserting “was includible (or would have been includible without regard to section 2210) in determining the value of the decedent’s gross estate under chapter 11 of subtitle B” ,

(B) in paragraph (9), by striking “required to be included” through “Code of 1939” and inserting “required to be included (or would have been required to be included without regard to section 2210) in determining the value of the decedent’s gross estate under chapter 11 of subtitle B”, and

(C) in paragraph (10), by striking “Property includible in the gross estate” and inserting “Property includible (or which would have been includible without regard to section 2210) in the gross estate”.

(3) CLERICAL AMENDMENT.—The table of sections for subchapter C of chapter 11 is amended by adding at the end the following new item:

“Sec. 2210. Termination.”.

(b) GENERATION-SKIPPING TRANSFER TAX REPEAL.—

(1) IN GENERAL.—Subchapter G of chapter 13 of subtitle B of such Code is amended by adding at the end the following new section:

“SEC. 2664. TERMINATION.

“This chapter shall not apply to generation-skipping transfers after December 31, ~~2023~~2024.”.

(2) CLERICAL AMENDMENT.—The table of sections for subchapter G of chapter 13 of such Code is amended by adding at the end the following new item:

“Sec. 2664. Termination.”.

(c) CONFORMING AMENDMENTS RELATED TO GIFT TAX.—

(1) COMPUTATION OF GIFT TAX.—Section 2502 is amended by adding at the end the following new subsection:

“(d) GIFTS MADE AFTER ~~2023~~2024.—

“(1) IN GENERAL.—In the case of a gift made after December 31, ~~2023~~2024, subsection (a) shall be applied by substituting ‘subsection (d)(2)’ for ‘section 2001(c)’ and ‘such subsection’ for ‘such section’.

“(2) RATE SCHEDULE.—

<b>“If the amount with respect to which the The tentative tax</b>	
<b>tentative tax to be computed is:</b>	<b>is:</b>
Not over \$10,000 .....	18% of such amount.
Over \$10,000 but not over \$20,000 .....	\$1,800, plus 20% of
	the excess over
	\$10,000.
Over \$20,000 but not over \$40,000 .....	\$3,800, plus 22% of

	the excess over \$20,000.
Over \$40,000 but not over \$60,000 .....	\$8,200, plus 24% of the excess over \$40,000.
Over \$60,000 but not over \$80,000 .....	\$13,000, plus 26% of the excess over \$60,000.
Over \$80,000 but not over \$100,000 .....	\$18,200, plus 28% of the excess over \$80,000.
Over \$100,000 but not over \$150,000 .....	\$23,800, plus 30% of the excess over \$100,000.
Over \$150,000 but not over \$250,000 .....	\$38,800, plus 32% of the excess of \$150,000.
Over \$250,000 but not over \$500,000 .....	\$70,800, plus 34% of the excess over \$250,000.
Over \$500,000 .....	\$155,800, plus 35% of the excess of \$500,000.”.

(2) LIFETIME GIFT EXEMPTION.—Section 2505 is amended by adding at the end the following new subsection:

“(d) GIFTS MADE AFTER ~~2023~~2024.—

“(1) IN GENERAL.—In the case of a gift made after December 31, ~~2023~~2024, subsection (a)(1) shall be applied by substituting ‘the amount of the tentative tax which would be determined under the rate schedule set forth in section 2502(a)(2) if the amount with respect to which such tentative tax is to be computed were \$10,000,000’ for ‘the applicable credit amount in effect under section 2010(c) which would apply if the donor died as of the end of the calendar year’.

“(2) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any calendar year after ~~2023~~2024, the dollar amount in subsection (a)(1) (after application of this subsection) shall be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section

1(~~fc~~)(~~32~~)~~for~~(A) of such calendar year by substituting ‘calendar year 2011’ for ‘calendar year ~~1992~~2016’ in ~~subparagraph~~clause (Bii) thereof.

“(B) ROUNDING.—If any amount as adjusted under paragraph (1) is not a multiple of \$10,000, such amount shall be rounded to the nearest multiple of \$10,000.”.

(3) OTHER CONFORMING AMENDMENTS RELATED TO GIFT TAX.—Section 2801 is amended by adding at the end the following new subsection: striking and inserting “section 2502(a)(2)”

“(g) GIFTS RECEIVED AFTER ~~2023~~2024.—In the case of a gift received after December 31, ~~2023~~2024, subsection (a)(1) shall be applied by substituting ‘section 2502(a)(2)’ for ‘section 2001(c) as in effect on the date of such receipt’.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, ~~2023~~2024.

## **TITLE II—ALTERNATIVE MINIMUM TAX REPEAL**

### **SEC. 2001. REPEAL OF ALTERNATIVE MINIMUM TAX.**

(a) IN GENERAL.—Subchapter A of chapter 1 is amended by striking part VI (and by striking the item relating to such part in the table of parts for subchapter A).

(b) CREDIT FOR PRIOR YEAR MINIMUM TAX LIABILITY.—

so redesignated) the following new paragraph:

“(1) IN GENERAL.—The credit allowed under subsection (a) for any taxable year shall not exceed the excess (if any) of—

“(A) the sum of—

“(i) so much of the regular tax liability as does not exceed \$25,000, plus

“(ii) 75 percent of so much of the regular tax liability as exceeds \$25,000, over

“(B) the sum of the credits allowable under subparts A and B of this part.”, and

(D) by striking “subparagraph (B) of paragraph (1)” each place it appears in paragraph (2) (as so redesignated) and inserting

“clauses (i) and (ii) of paragraph (1)(A)”.

(9) Section 39(a) is amended—

(A) by striking “or the eligible small business credits” in paragraph (3)(A), and

(B) by striking paragraph (4).

(10) Section 45D(g)(4)(B) is amended by striking “or for purposes of section 55”.

(11) Section 54(c)(1) is amended to read as follows:

“(1) regular tax liability (as defined in section 26(b)), over”.

(12) Section 54A(c)(1)(A) is amended to read as follows:

“(A) regular tax liability (as defined in section 26(b)), over”.

(13) Section 148(b)(3) is amended to read as follows:

“(3) TAX-EXEMPT BONDS NOT TREATED AS INVESTMENT PROPERTY.—The term

‘investment property’ does not include any tax-exempt bond.”.

(14) Section 168(k)(2) is amended by striking subparagraph (G).

(15) Section 168(k) is amended by striking paragraph (4).

(16) Section 168(k)(5) is amended by striking subparagraph (E).

(17) Section 168(m)(2)(B)(i) is amended by striking “(determined without regard to paragraph (4) thereof)”.

(18) Section 168(m)(2) is amended by striking subparagraph (D).

(19) Section 173 is amended by striking subsection (b).

~~(20) Section 174(f) is amended to read as follows:~~

~~“(f) CROSS-REFERENCE.—For adjustments to basis of property for amounts allowed as deductions as deferred expenses under subsection (b), see section 1016(a)(14).”.~~

~~(21)~~20 Section 263(c) is amended by striking “section 59(e) or 291” and inserting “section 291”.

~~(22)~~21 Section 263A(c) is amended by striking paragraph (6) and by redesignating paragraph (7) (as amended) as paragraph (6).

~~(23)~~22 Section 382(l) is amended by striking paragraph (7) and by redesignating paragraph (8) as paragraph (7).

~~(24)~~23 Section 443 is amended by striking subsection (d) and by redesignating subsection (e) as subsection (d).

~~(25)~~24 Section 616 is amended by striking subsection (e).

~~(26)~~25 Section 617 is amended by striking subsection (i).

~~(27)~~26 Section 641(c) is amended—

(A) in paragraph (2) by striking subparagraph (B) and by redesignating subparagraphs

(C) and (D) as subparagraphs (B) and (C), respectively, and  
(B) in paragraph (3), by striking “paragraph (2)(C)” and inserting  
“paragraph (2)(B)”.

| ~~(2827)~~ Subsections (b) and (c) of section 666 are each amended by striking  
“(other than the tax imposed by section 55)”.

| ~~(2928)~~ Section 848 is amended by striking subsection (i).

| ~~(3029)~~ Section 860E(a) is amended by striking paragraph (4).

| ~~(3130)~~ Section 871(b)(1) is amended by striking “or 55”.

| ~~(3231)~~ Section 882(a)(1) is amended by striking “55,”.

| ~~(3332)~~ Section 897(a) is amended to read as follows:

“(a) TREATMENT AS EFFECTIVELY CONNECTED WITH UNITED STATES TRADE OR  
BUSINESS.—For purposes of this title, gain or loss of a nonresident alien  
individual or a foreign corporation from the disposition of a United States  
real property interest shall be taken into account—

“(1) in the case of a nonresident alien individual, under section 871(b)(1),  
or

“(2) in the case of a foreign corporation, under section 882(a)(1),  
as if the taxpayer were engaged in a trade or business within the United  
States during the taxable year and as if such gain or loss were effectively  
connected with such trade or business.”.

| ~~(3433)~~ Section 904(k) is amended to read as follows:

“(k) CROSS REFERENCE.—For increase of limitation under subsection (a) for taxes  
paid with respect to amounts received which were included in the gross income of  
the taxpayer for a prior taxable year as a United States shareholder with  
respect to a controlled foreign corporation, see section 960(b).”.

(~~3534~~) Section 911(f) is amended to read as follows:

“(f) DETERMINATION OF TAX LIABILITY.—

“(1) IN GENERAL.—If, for any taxable year, any amount is excluded from gross income of a taxpayer under subsection (a), then, notwithstanding section 1, if such taxpayer has taxable income for such taxable year, the tax imposed by section 1 for such taxable year shall be equal to the excess (if any) of—

“(A) the tax which would be imposed by section 1 for such taxable year if the taxpayer’s taxable income were increased by the amount excluded under subsection (a) for such taxable year, over

“(B) the tax which would be imposed by section 1 for such taxable year if the taxpayer’s taxable income were equal to the amount excluded under subsection (a) for such taxable year.

For purposes of this paragraph, the amount excluded under subsection (a) shall be reduced by the aggregate amount of any deductions or exclusions disallowed under subsection (d)(6) with respect to such excluded amount.

“(2) TREATMENT OF CAPITAL GAIN EXCESS.—

“(A) IN GENERAL.—In applying section 1(h) for purposes of determining the tax under paragraph (1)(A) for any taxable year in which, without regard to this subsection, the tax-payer’s net capital gain exceeds taxable income (hereafter in this subparagraph referred to as the capital gain excess)—

“(i) the taxpayer’s net capital gain (determined without regard to section 1(h)(11)) shall be reduced (but not below zero) by such capital gain excess,



“(ii) the taxpayer’s qualified dividend income shall be reduced by so much of such capital gain excess as exceeds the tax-payer’s net capital gain (determined without regard to section 1(h)(11) and the reduction under clause (i)), and

“(iii) adjusted net capital gain, unrecaptured section 1250 gain, and 28-percent rate gain shall each be determined after increasing the amount described in section 1(h)(4)(B) by such capital gain excess.

“(B) DEFINITIONS.—Terms used in this paragraph which are also used in section 1(h) shall have the respective meanings given such terms by section 1(h).”.

| ~~(3635)~~ Section 962(a)(1) is amended—

(A) by striking “sections 1 and 55” and inserting “section 1”, and

(B) by striking “sections 11 and 55” and inserting “section 11”.

| ~~(3736)~~ Section 1016(a) is amended by striking paragraph (20).

| ~~(3837)~~ Section 1202(a)(4) is amended by inserting “and” at the end of subparagraph (A), by striking “, and” and inserting a period at the end of subparagraph (B), and by striking subparagraph (C).

| ~~(3938)~~ Section 1374(b)(3)(B) is amended by striking the last sentence thereof.

| ~~(4039)~~ Section 1561(a) is amended—

(A) by inserting “and” at the end of paragraph (1), by striking “, and” at the end of paragraph (2) and inserting a period, and by striking paragraph (3), and

(B) by striking the last sentence.

| ~~(4140)~~ Section 6015(d)(2)(B) is amended by striking “or 55”.

| ~~(4241)~~ Section 6211(b)(4)(A) is amended by striking “, 168(k)(4)”.

(~~43~~42) Section 6425(c)(1)(A) is amended to read as follows:

“(A) the tax imposed under section 11 or subchapter L of chapter 1, whichever is applicable, over”.

(~~44~~43) Section 6654(d)(2) is amended—

(A) in clause (i) of subparagraph (B), by striking “, alternative minimum taxable income,”, and

(B) in clause (i) of subparagraph (C), by striking “, alternative minimum taxable income,”.

(~~45~~44) Section 6655(e)(2)(B)(i) is amended by striking “The taxable income and alternative minimum taxable income shall” and inserting “Taxable income shall”.

(~~46~~45) Section 6655(g)(1)(A) is amended by adding “plus” at the end of clause (i), by striking clause (ii), and by redesignating clause (iii) as clause (ii).

(~~47~~46) Section 6662(e)(3)(C) is amended by striking “the regular tax (as defined in section 55(c))” and inserting “the regular tax liability (as defined in section 26(b))”.

(d) EFFECTIVE DATES.—

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

(2) PRIOR ELECTIONS WITH RESPECT TO CERTAIN TAX PREFERENCES.—So much of the amendment made by subsection (a) as relates to the repeal of section 59(e) of the Internal Revenue Code of 1986 shall apply to amounts paid or incurred after December 31, 2017.

purposes of this subtitle, the amount to be used in computing the accumulated earnings credit under section 535(c)(2) and (3) of such corporation for such taxable year shall be the amount specified in subsection (a) with respect to such group, divided by the number of corporations which are component members of such group on the last day of such taxable year. For purposes of the preceding sentence, section 1563(b) shall be applied as if such last day were substituted for December 31.”.

(B) The table of sections for part II of subchapter B of chapter 5 is amended by striking the item relating to section 1561 and inserting the following new item:

“Sec. 1561. Limitation on accumulated earnings credit in the case of certain controlled corporations.”.

(7) Section 7518(g)(6)(A) is amended—

(A) by striking “With respect to the portion” and inserting “In the case of a taxpayer other than a corporation, with respect to the portion”, and

(B) by striking “(34 percent in the case of a corporation)”.

(c) REDUCTION IN DIVIDEND RECEIVED DEDUCTIONS TO REFLECT LOWER CORPORATE INCOME TAX RATES.—

(1) DIVIDENDS RECEIVED BY CORPORATIONS.—

(A) IN GENERAL.—Section 243(a)(1) is amended by striking “70 percent” and inserting “50 percent”.

(B) DIVIDENDS FROM 20-PERCENT OWNED CORPORATIONS.—Section 243(c)(1) is amended—

(i) by striking “80 percent” and inserting “65 percent”, and

(ii) by striking “70 percent” and inserting “50 percent”.

(C) CONFORMING AMENDMENT.—The heading for section 243(c) is amended by striking “RETENTION OF 80-PERCENT DIVIDEND RECEIVED DEDUCTION” and inserting “INCREASED PERCENTAGE”.

(2) DIVIDENDS RECEIVED FROM FSC.—Section 245(c)(1)(B) is amended—

(A) by striking “70 percent” and inserting “50 percent”, and

(B) by striking “80 percent” and inserting “65 percent”.

(3) LIMITATION ON AGGREGATE AMOUNT OF DEDUCTIONS.—Section 246(b)(3) is amended—

(A) by striking “80 percent” in subparagraph (A) and inserting “65 percent”, and

(B) by striking “70 percent” in subparagraph (B) and inserting “50 percent”.

(4) REDUCTION IN DEDUCTION WHERE PORTFOLIO STOCK IS DEBT-FINANCED.—Section 246A(a)(1) is amended—

(A) by striking “70 percent” and inserting “50 percent”, and

(B) by striking “80 percent” and inserting “65 percent”.

(5) INCOME FROM SOURCES WITHIN THE UNITED STATES.—Section 861(a)(2) is amended—

(A) by striking “100/70th” and inserting “100/50th” in subparagraph (B), and

(B) in the flush sentence at the end—

(i) by striking “100/80th” and inserting “100/65th”, and

(ii) by striking “100/70th” and inserting “100/50th”.

(ed) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years

beginning after December 31, 2017.

(2) CERTAIN CONFORMING AMENDMENTS.—The amendments made by paragraphs (2), (3), and (4) of subsection (b) shall apply to distributions after December 31, 2017.

(~~e~~) NORMALIZATION REQUIREMENTS.—

(1) IN GENERAL.—A normalization method of accounting shall not be treated as being used with respect to any public utility property for purposes of section 167 or 168 of the Internal Revenue Code of 1986 if the taxpayer, in computing its cost of service for ratemaking purposes and reflecting operating results in its regulated books of account, reduces the excess tax reserve more rapidly or to a greater extent than such reserve would be reduced under the average rate assumption method.

(2) ALTERNATIVE METHOD FOR CERTAIN TAX-PAYERS.—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.

(c) APPLICATION TO USED PROPERTY.—

(1) IN GENERAL.—Section 168(k)(2)(A)(ii) is amended to read as follows:

“(ii) the original use of which begins with the taxpayer or the acquisition of which by the taxpayer meets the requirements of clause (ii) of subparagraph (E), and”.

(2) ACQUISITION REQUIREMENTS.—Section 168(k)(2)(E)(ii) is amended to read as follows:

“(ii) ACQUISITION REQUIREMENTS.— An acquisition of property meets the requirements of this clause if—

“(I) such property was not used by the taxpayer at any time prior to such acquisition, and

“(II) the acquisition of such property meets the requirements of paragraphs (2)(A), (2)(B), (2)(C), and (3) of section 179(d).”.

(3) ANTI-ABUSE RULES.—Section 168(k)(2)(E) is further amended by amending clause (iii)(I) to read as follows:

“(I) property is used by a lessor of such property and such use is the lessor’s first use of such property,”.

(d) EXCEPTION FOR CERTAIN TRADES AND BUSINESSES NOT SUBJECT TO LIMITATION ON INTEREST EXPENSE.—Section 168(k)(2), as amended by section 2001, is amended by inserting after subparagraph (F) the following new subparagraph:

“(G) EXCEPTION FOR CERTAIN PROPERTY OF ~~REAL PROPERTY~~ CERTAIN BUSINESSES ~~AND REGULATED UTILITIES~~ NOT SUBJECT TO LIMITATION ON INTEREST EXPENSE.—The term ‘qualified property’ shall not include any property ~~used~~ use in—

“(i) a trade or business described in subparagraph (B) or (C) of section 163(j)(7).”, or  
“(ii) a trade or business that has had floor plan financing indebtedness (as defined in paragraph (9) of section 163(j)), if the floor plan financing interest related to such indebtedness was taken into account under paragraph (1)(C) of such section.”.

(e) COORDINATION WITH SECTION 280F.—Section 168(k)(2)(F) is amended—

(1) by striking “\$8,000” in clauses (i) and (iii) and inserting “\$16,000”, and

(2) in clause (iii)—

(A) by striking “placed in service by the taxpayer after December 31, 2017” and inserting “acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after September 27, 2017”, and

(B) by redesignating subclauses (I) and (II) as subclauses (II) and (III) respectively, and inserting before clause (II), as so redesignated, the following new subclause:

“(I) in the case of a passenger automobile placed in service before January 1, 2018, ‘\$8,000’.”.

(f) CONFORMING AMENDMENTS.—

(1) Section (k)(2)(B)(i)(III), as amended, is amended by inserting “binding” before “contract”.

(2) Section 168(k)(5) is amended by—

(A) by striking “January 1, 2020” in subparagraph (A) and inserting

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

SEC. 3204. MODIFICATION OF TREATMENT OF S CORPORATION CONVERSIONS TO C CORPORATIONS.

(a) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—Section 481 is amended by adding at the end the following new subsection:

“(d) ADJUSTMENTS ATTRIBUTABLE TO CONVERSION FROM S CORPORATION TO C CORPORATION.—

“(1) IN GENERAL.—In the case of an eligible terminated S corporation, any increase in tax under this chapter of by reason of an adjustment required by subsection (a)(2), and which is attributable to such corporation’s revocation described in paragraph (2)(A)(ii), shall be taken into account ratably during the 6-taxable year period beginning with the year of change.

“(2) ELIGIBLE TERMINATED S CORPORATION.—For purposes of this subsection, the term ‘eligible terminated S corporation’ means any C corporation—

“(A) which—

“(i) was an S corporation on the day before the date of the enactment of the Tax Cuts and Jobs Act, and

“(ii) during the 2-year period beginning on the date of such enactment make a revocation of its election under section 1362(a), and



“(B) the owners of the stock of which, determined on the date such revocation is made, are the same owners (and in identical proportions) as on the date of such enactment.”.

(b) CASH DISTRIBUTIONS FOLLOWING POST-TERMINATION TRANSITION PERIOD FROM S CORPORATION STATUS.—Section 1371 is amended by adding at the end the following new subsection:

“(f) CASH DISTRIBUTIONS FOLLOWING POST-TERMINATION TRANSITION PERIOD.—In the case of a distribution of money by an eligible terminated S corporation (as defined in section 481(d)), the accumulated adjustments account shall be allocated to such distribution, and the distribution shall be chargeable to accumulated earnings and profits, in the same ratio as the amount of such accumulated adjustments account bears to the amount of such accumulated earnings and profits.”.

## **Subtitle D—Reform of Business-related Exclusions, Deductions, etc.**

### **SEC. 3301. INTEREST.**

(a) IN GENERAL.—Section 163(j) is amended to read as follows:

**“(j) LIMITATION ON BUSINESS INTEREST.—**

**“(1) IN GENERAL.—**In the case of any taxpayer for any taxable year, the amount allowed as a deduction under this chapter for business interest shall not exceed the sum of—

“(A) the business interest income of such taxpayer for such taxable year, ~~plus~~

“(B) 30 percent of the adjusted taxable income of such taxpayer for such taxable year. The amount determined under subparagraph (B) (after any increases in such amount under paragraph (3)(A)(iii)) shall not be less than zero; ~~plus~~

“(C) the floor plan financing interest of such taxpayer for such taxable year.”.

“(2) EXEMPTION FOR CERTAIN SMALL BUSINESSES.—For exemption for certain small businesses, see the amendment made by section 3203 of the Tax Cuts and Jobs Act.

“(3) APPLICATION TO PARTNERSHIPS, ETC.—

“(A) IN GENERAL.—In the case of any partnership—

“(i) this subsection shall be applied at the partnership level and any deduction for business interest shall be taken into account in determining the non-separately stated taxable income or loss of the partnership,

“(ii) the adjusted taxable income of each partner of such partnership shall be determined without regard to such partner’s distributive share of the non-separately stated taxable income or loss of such partnership, and

“(iii) the amount determined under paragraph (1)(B) with respect to each partner of such partnership shall be increased by such partner’s distributive share of such partnership’s excess amount.

“(B) EXCESS AMOUNT.—The term ‘excess amount’ means, with respect to any partnership, the excess (if any) of—

“(i) 30 percent of the adjusted taxable income of the partnership, over

~~“(ii) the amount (if any) by which the~~

“(ii) the amount (if any) by which the business interest of the partnership, reduced by floor plan financing interest, exceeds the business interest income of the partnership.

“(C) APPLICATION TO S CORPORATIONS.—

Rules similar to the rules of subparagraphs (A) and (B) shall apply with respect to any S corporation and its shareholders.

“(4) BUSINESS INTEREST.—For purposes of this subsection, the term ‘business interest’ means any interest paid or accrued on indebtedness properly allocable to a trade or business. Such term shall not include investment interest (within the meaning of subsection (d)).

“(5) BUSINESS INTEREST INCOME.—For purposes of this subsection, the term ‘business interest income’ means the amount of interest includible in the gross income of the taxpayer for the taxable year which is properly allocable to a trade or business. Such term shall not include investment income (within the meaning of subsection (d)).

“(6) ADJUSTED TAXABLE INCOME.—For purposes of this subsection, the term ‘adjusted taxable income’ means the taxable income of the taxpayer— “(A) computed without regard to—

“(i) any item of income, gain, deduction, or loss which is not properly allocable to a trade or business,

“(ii) any business interest or business interest income,

“(iii) the amount of any net operating loss deduction under section 172, and

“(iv) any deduction allowable for depreciation, amortization, or depletion, and “(B) computed with such other adjustments as the Secretary may provide.

“(7) TRADE OR BUSINESS.—For purposes of this subsection, the term ‘trade or business’ shall not include—

“(A) the trade or business of performing services as an employee,

“(B) a real property trade or business (as such term is defined in section 469(c)(7)(C)), or

“(C) the trade or business of the furnishing or sale of—

“(i) electrical energy, water, or sewage disposal services,

“(ii) gas or steam through a local distribution system, or

“(iii) transportation of gas or steam by pipeline, if the rates for such furnishing or sale, as the case may be, have been established or approved by a State or political subdivision thereof, by any agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof.

“(8) CARRYFORWARD OF DISALLOWED INTER-EST.—For carryforward of interest disallowed under paragraph (1), see subsection (o).”.

“(9) FLOOR PLAN FINANCING INTEREST DEFINED.—For purposes of this subsection:

“(A) IN GENERAL.—The term ‘floor plan financing interest’ means

interest paid or accrued on floor plan financing indebtedness.

“(B) FLOOR PLAN FINANCING INDEBTEDNESS.—The term ‘floor plan financing indebtedness’ means indebtedness—

“(i) used to finance the acquisition of motor vehicles held for sale to retail customers, and

“(ii) secured by the inventory so acquired.

“(C) MOTOR VEHICLE.—The term ‘motor vehicle’ means a motor vehicle that is any of the following:

“(i) An automobile.

“(ii) A truck.

“(iii) A recreational vehicle.

“(iv) A motorcycle.

“(v) A boat.

“(vi) Farm machinery or equipment.

“(vii) Construction machinery or equipment.”.

(b) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—Section 163, after amendment by section 4302(a) and before amendment by section 4302(b), is amended by inserting after subsection (n) the following new subsection:

“(o) CARRYFORWARD OF DISALLOWED BUSINESS INTEREST.—The amount of any business interest not allowed as a deduction for any taxable year by reason of subsection (j) shall be treated as business interest paid or accrued in the succeeding taxable year. Business interest paid or accrued in any taxable year (determined without regard to the preceding sentence) shall not be carried

contributions made, and transactions entered into, after the date of the enactment of this Act.

**SEC. 3305. REPEAL OF DEDUCTION FOR LOCAL LOBBYING EXPENSES.**

(a) **IN GENERAL.**—Section 162(e) is amended by striking paragraphs (2) and (7) and by redesignating paragraphs (3), (4), (5), (6), and (8) as paragraphs (2), (3), (4), (5), and (6), respectively.

(b) **CONFORMING AMENDMENT.**—Section 6033(e)(1)(B)(ii) is amended by striking “section 162(e)(5)(B)(ii)” and inserting “section 162(e)(4)(B)(ii)”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2017.

**SEC. 3306. REPEAL OF DEDUCTION FOR INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES.**

(a) **IN GENERAL.**—Part VI of subchapter B of chapter 1 is amended by striking section 199 (and by striking the item relating to such section in the table of sections for such part).

(b) **CONFORMING AMENDMENTS.**—

(1) Sections 74(d)(2)(B), 86(b)(2)(A), 137(b)(3)(A), [219\(g\)\(3\)\(A\)\(ii\)](#) and 246(b)(1) are each amended by striking “199,”.

(2) Section 170(b)(2)(D), as amended by the preceding provisions of this Act, is amended by striking clause (iv), by redesignating clause (v) as

service.

“(e) REPORTING.—The Secretary shall require such reporting (at the time and in the manner prescribed by the Secretary) as is necessary to carry out the purposes of this section.

“(f) REGULATIONS.—The Secretary shall issue such regulations or other guidance as is necessary or appropriate to carry out the purposes of this section”.

(b) COORDINATION WITH SECTION 83.—Subsection (e) of section 83 is amended by striking “or” at the end of paragraph (4), by striking the period at the end of paragraph (5) and inserting “, or”, and by adding at the end the following new paragraph:

“(6) a transfer of an applicable partnership interest to which section 1061 applies.”.

(c) CLERICAL AMENDMENT.—The table of sections for part IV of subchapter O of chapter 1 is amended by striking the item relating to 1061 and inserting the following new items:

“Sec. 1061. Partnership interests held in connection with performance of services.

“Sec. 1062. Cross references.”.

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

SEC. 3315. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) IN GENERAL.—Section 174 is amended to read as follows:

“SEC. 174. AMORTIZATION OF RESEARCH AND EXPERIMENTAL EXPENDITURES.

“(a) IN GENERAL.—In the case of a taxpayer’s specified research or experimental expenditures for any taxable year—

“(1) except as provided in paragraph (2), no deduction shall be allowed for such expenditures, and

“(2) the taxpayer shall—

“(A) charge such expenditures to capital account, and

“(B) be allowed an amortization deduction of such expenditures ratably over the 5-year period (15-year period in the case of any specified research or experimental expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F))) beginning with the midpoint of the taxable year in which such expenditures are paid or incurred.

“(b) SPECIFIED RESEARCH OR EXPERIMENTAL EXPENDITURES.—For purposes of this section, the term ‘specified research or experimental expenditures’ means, with respect to any taxable year, research or experimental expenditures which are paid or incurred by the taxpayer during such taxable year in connection with the taxpayer’s trade or business.

“(c) SPECIAL RULES.—

“(1) LAND AND OTHER PROPERTY.—This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611



(relating to allowance for depletion); but for purposes of this section allowances under section 167, and allowances under section 611, shall be considered as expenditures.

“(2) EXPLORATION EXPENDITURES.—This section shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

“(3) SOFTWARE DEVELOPMENT.—For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.

“(d) TREATMENT UPON DISPOSITION, RETIREMENT, OR ABANDONMENT.—If any property with respect to which specified research or experimental expenditures are paid or incurred is disposed, retired, or abandoned during the period during which such expenditures are allowed as an amortization deduction under this section, no deduction shall be allowed with respect to such expenditures on account of such disposition, retirement, or abandonment and such amortization deduction shall continue with respect to such expenditures.”.

(b) CLERICAL AMENDMENT.—The table of sections for part VI of subchapter B of chapter 1 is amended by striking the item relating to section 174 and inserting the following new item:

“Sec. 174. Amortization of research and experimental expenditures.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred in taxable years beginning after December 31, 2022.

SEC. 3316. UNIFORM TREATMENT OF EXPENSES IN CONTINGENCY FEE CASES.

(a) IN GENERAL.—Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) EXPENSES IN CONTINGENCY FEE CASES.—No deduction shall be allowed under subsection (a) to a taxpayer for any expense—

“(1) paid or incurred in the course of the trade or business of practicing law, and

“(2) resulting from a case for which the taxpayer is compensated primarily on a contingent basis, until such time as such contingency is resolved.”’

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenses and costs paid or incurred in taxable years beginning after the date of the enactment of this Act.

## **Subtitle E—Reform of Business Credits**

### **SEC. 3401. REPEAL OF CREDIT FOR CLINICAL TESTING EXPENSES FOR CERTAIN DRUGS FOR RARE DISEASES OR CONDITIONS.**

for investment purposes, but only if the carrying on of such activity (other than in the case of real estate) does not constitute the active conduct of a trade or business, or

“(ii) it involves the performance of administrative services in connection with plans providing life insurance, pension, or accident and health benefits.”.

(2) Section 465(c)(7)(D)(v)(II) is amended by striking “section 806(b)(3)” and inserting “section 453B(e)(3)”.

(3) Section 801(a)(2) is amended by striking subparagraph (C).

(4) Section 804 is amended by striking “means—” and all that follows and inserting “means the general deductions provided in section 805.”.

(5) Section 805(a)(4)(B), as amended by section 3701, is amended by striking clause (i) and by redesignating clauses (ii), (iii), and (iv) as clauses (i), (ii), and (iii), respectively.

(6) Section 805(b)(2)(A) is amended by striking clause (iii) and by redesignating clauses (iv) and (v) as clauses (iii) and (iv), respectively.

(7) Section 842(c) is amended by striking paragraph (1) and by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

(8) Section 953(b)(1), as amended by section 3701, is amended by striking subparagraph (A) and by redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

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

SEC. 3703. ~~COMPUTATION OF~~ SURTAX ON LIFE INSURANCE TAX RESERVES COMPANY TAXABLE INCOME.

(a) IN GENERAL.—Section ~~807~~801(a)(1) is amended ~~by striking subsections (c), (d), and (e) and inserting the following new subsections: ==~~

~~“(c) ITEMS DESCRIBED.—The items described in this subsection are the reserves for future unaccrued claims defined in subsection (e) as determined by applying the method of computing the reserves in subsection (d).~~

~~“(d) METHOD OF COMPUTING RESERVES FOR PURPOSES OF DETERMINING INCOME.—For purposes of this part (other than section 816), the amount of the reserves for future unaccrued claims shall be 76.5 percent of the amount of such reserves as defined in subsection (e).~~

~~“(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—~~

~~“(1) RESERVES FOR FUTURE UNACCRUED CLAIMS.—The term ‘reserves for future unaccrued claims’ means~~by striking “consist of a tax” and insert “consist of the sum of—

“(A) a tax”, and

(2) by striking the period at the end and inserting “, and”, and

~~“(A) life insurance reserves (as defined in section 816(b)) determined in accordance with the method prescribed by the National Association of Insurance Commissioners and reported by the taxpayer on its annual statement for the calendar year that is the taxable year,~~

~~“(B) unpaid losses included in total reserves under section 816(c)(2), and~~

~~“(C) the amount (not included in subparagraph (A) or (B)) of reserves solely for claims with respect to insurance risks which are determined in accordance with the method prescribed by the National Association of~~

~~Insurance Commissioners and reported by the taxpayer on its annual statement for the calendar year that is the taxable year, but not including any amount of asset adequacy reserves, contingency reserves, unearned premium reserves, or any other amount not constituting reserves for future unaccrued claims as provided in guidance by the Secretary. For purposes of subparagraph (B) and section 805(a)(1), the amount of the unpaid losses (other than losses on life insurance contracts) shall be the amount of the discounted unpaid losses as defined in section 846.~~

~~“(2) REPORTING RULES.—The Secretary shall require reporting (at such time and in such manner as the Secretary shall prescribe) with respect to the opening balance and closing balance of reserves and with respect to the method of computing reserves for purposes of determining income.”.~~

~~(b) CONFORMING AMENDMENTS.—~~

~~(13) Section 808 is amended~~ by adding at the end the following new ~~subsection~~subparagraph:

“(B) a tax equal to 8 percent of the life insurance company taxable income.”.

~~“(g) PREVAILING STATE ASSUMED INTEREST RATE.—For purposes of this subchapter—~~

~~“(1) IN GENERAL.—The term ‘prevailing State assumed interest rate’ means, with respect to any contract, the highest assumed interest rate permitted to be used in computing life insurance reserves for insurance contracts or annuity contracts (as the case may be) under the insurance laws of at least 26 States. For purposes of the preceding sentence, the effect of nonforfeiture laws of a State on interest rates for reserves shall~~

~~not be taken into account.~~

~~“(2) ~~WHEN RATE DETERMINED.~~—The prevailing State assumed interest rate with respect to any contract shall be determined as of the beginning of ~~the calendar year in which the contract was issued.~~”.~~

~~(2) Paragraph (1) of section 811(d) is amended by striking “the greater of the prevailing State assumed interest rate or applicable Federal interest rate in effect under section 807” and inserting “the interest rate in effect under section 808(g)”.~~

~~(3) Subparagraph (A) of section 846(f)(6) is amended by striking “except that” and all that follows and inserting “except that the limitation of subsection (a)(3) shall apply, and”.~~

~~(4) Subparagraph (B) of section 954(i)(5) is amended by striking “shall apply, and”.~~

~~(c) ~~EFFECTIVE DATE.~~—~~

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

~~(2) ~~TRANSITION RULE.~~—For the first taxable year beginning after December 31, 2017, the reserve with respect to any contract (as determined under section 807(d)(2) ~~of the Internal Revenue Code of 1986~~) at the end of the preceding taxable year shall be determined as if the amendments made by this section had applied to such reserve in such preceding taxable year.~~

~~(3) ~~TRANSITION RELIEF.~~—~~

~~(A) ~~IN GENERAL.~~—If—~~

~~(i) the reserve determined under section 807(d)(2) of the Internal Revenue Code of 1986 (determined without regard to the~~

~~amendments made by this section) with respect to any contract as of the close of the year preceding the first taxable year beginning after December 31, 2017, differs from~~

~~(ii) the reserve which would have been determined with respect to such contract as of the close of such taxable year under such section determined without regard to paragraph (2),~~

~~then the difference between the amount of the reserve described in clause (i) and the amount of the reserve described in clause (ii) shall be taken into account under the method provided in subparagraph (B).~~

~~(B) METHOD.—The method provided in this subparagraph is as follows:~~

~~(i) if the amount determined under subparagraph (A)(i) exceeds the amount determined under subparagraph (A)(ii),  $\frac{1}{8}$  of such excess shall be taken into account, for each of the 8 succeeding taxable years, as a deduction under section 805(a)(2) of such Code, or~~

~~(ii) if the amount determined under subparagraph (A)(ii) exceeds the amount determined under subparagraph (A)(i),  $\frac{1}{8}$~~

~~of such excess shall be included in gross income, for each of the 8 succeeding taxable years, under section 803(a)(2) of such Code.~~

**SEC. 3704. ADJUSTMENT FOR CHANGE IN COMPUTING RESERVES.**

(a) IN GENERAL.—Paragraph (1) of section 807(f) is amended to read as follows:

“(1) TREATMENT AS CHANGE IN METHOD OF ACCOUNTING.—If the basis for determining any item referred to in subsection (c) as of the close of any taxable year differs from the basis for such determination as of the close of the preceding taxable year, then so much of the difference between—

“(A) the amount of the item at the close of the taxable year,

computed on the new basis, and

“(B) the amount of the item at the close of the taxable year, computed on the old basis, as is attributable to contracts issued before the taxable year shall be taken into account under section 481 as adjustments attributable to a change in method of accounting initiated by the taxpayer and made with the consent of the Secretary.”.

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

~~SEC. 3705. MODIFICATION OF RULES FOR LIFE INSURANCE~~

~~PRORATION FOR PURPOSES OF DETERMINING THE DIVIDENDS~~

~~RECEIVED DEDUCTION.~~

~~(a) IN GENERAL.—Section 812 is amended to read as follows:~~

~~“SEC. 812. DEFINITION OF COMPANY’S SHARE AND POLICYHOLDER’S SHARE.~~

~~“(a) COMPANY’S SHARE.—For purposes of section 805(a)(4), the term ‘company’s share’ means, with respect to any taxable year beginning after December 31, 2017, 40 percent.~~

~~“(b) POLICYHOLDER’S SHARE.—For purposes of section 807, the term ‘policyholder’s share’ means, with respect to any taxable year beginning after December 31, 2017, 60 percent.”.~~

~~(b) CONFORMING AMENDMENT.—Section 817A(e)(2) is amended by striking “, 807(d)(2)(B), and 812” and inserting “and 807(d)(2)(B)”.~~

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



~~taxable years beginning after December 31, 2017.~~

**SEC. 3706. REPEAL OF SPECIAL RULE FOR DISTRIBUTIONS TO SHAREHOLDERS FROM PRE-1984 POLICYHOLDERS SURPLUS ACCOUNT.**

(a) **IN GENERAL.**—Subpart D of part I of subchapter L is amended by striking section 815 (and by striking the item relating to such section in the table of sections for such subpart).

(b) **CONFORMING AMENDMENT.**—Section 801 is amended by striking subsection (c).

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

(d) **PHASED INCLUSION OF REMAINING BALANCE OF POLICYHOLDERS SURPLUS ACCOUNTS.**—In the case of any stock life insurance company which has a balance (determined as of the close of such company's last taxable year beginning before January 1, 2018) in an existing policyholders surplus account (as defined in section 815 of the Internal Revenue Code of 1986, as in effect before its repeal), the tax imposed by section 801 of such Code for the first 8 taxable years beginning after December 31, 2017, shall be the amount which would be imposed by such section for such year on the sum of—

(1) life insurance company taxable income for such year (within the meaning of such section 801 but not less than zero), plus (2)  $\frac{1}{8}$  of such balance.

**SEC. 3707. MODIFICATION OF PRORATION RULES FOR PROPERTY AND CASUALTY INSURANCE COMPANIES.**

(a) **IN GENERAL.**—Section 832(b)(5)(B) is amended by striking “15 percent” and

at the end of the preceding taxable year, and  
(2) the unpaid losses as defined in sections 807(c)(2) and 805(a)(1) of such Code at the end of the preceding taxable year,  
shall be determined as if the amendments made by this section had applied to such unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018, and any adjustment shall be taken into account ratably in such first taxable year and the 7 succeeding taxable years. For subsequent taxable years, such amendments shall be applied with respect to such unpaid losses and expenses unpaid by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018.

**SEC. 3709. REPEAL OF SPECIAL ESTIMATED TAX PAYMENTS.**

(a) **IN GENERAL.**—Part III of subchapter L of chapter 1 is amended by striking section 847 (and by striking the item relating to such section in the table of sections for such part).

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

~~**SEC. 3710. CAPITALIZATION OF CERTAIN POLICY ACQUISITION EXPENSES.**~~

~~(a) **IN GENERAL.**—Paragraph (1) of section 848(c) is amended by striking subparagraphs (A), (B), and (C) and inserting the following new subparagraphs:~~

~~“(A) 4 percent of the net premiums for such taxable year on specified insurance contracts which are group contracts, and~~

~~“(B) 11 percent of the net premiums for such taxable year on~~

~~specified insurance contracts not described in subparagraph (A).”.~~

~~(b) GROUP CONTRACTS.—So much of paragraph (2) of section 848(e) as precedes subparagraph (A) thereof is amended to read as follows:~~

~~“(2) GROUP CONTRACT.—The term ‘group contract’ means any specified insurance contract—”.~~

~~(c) CONFORMING AMENDMENTS.—Section 848(e) is amended by striking paragraphs (3) and (6) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.~~

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

## Subtitle I—Compensation

### ~~SEC. 3801. NONQUALIFIED DEFERRED COMPENSATION.~~

~~(a) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 is amended by adding at the end the following new section:~~

### ~~“SEC. 409B. NONQUALIFIED DEFERRED COMPENSATION.~~

~~“(a) IN GENERAL.—Any compensation which is deferred under a nonqualified deferred compensation plan shall be includible in the gross income of the person who performed the services to which such compensation relates when there is no substantial risk of forfeiture of the rights of such person to such compensation.~~

~~“(b) DEFINITIONS.—For purposes of this section—“(1) SUBSTANTIAL RISK OF FORFEITURE.—The rights of a person to compensation shall be treated as subject to a substantial risk of forfeiture only if such person’s rights to such compensation are conditioned upon the future performance of substantial services by any person. Such rights shall~~

~~not be treated as subject to a substantial risk of forfeiture solely by reason of a covenant not to compete or the occurrence of a condition related to a purpose of the compensation other than the future performance of services.~~

~~“(2) NONQUALIFIED DEFERRED COMPENSATION PLAN.—For purposes of this section:~~

~~“(A) NONQUALIFIED DEFERRED COMPENSATION PLAN.—The term ‘nonqualified deferred compensation plan’ means any plan that provides for the deferral of compensation, other than—~~

~~“(i) a qualified employer plan,~~

~~“(ii) any bona fide vacation leave, sick leave, compensatory time, disability pay, or death benefit plan, and~~

~~“(iii) any other plan or arrangement designated by the Secretary consistent with the purposes of this section.~~

~~“(B) EQUITY-BASED COMPENSATION.—The term ‘nonqualified deferred compensation plan’ shall include any plan that provides—~~

~~“(i) a right to compensation based on the value of, or appreciation in value of, a specified number of equity units of the service recipient, whether paid in cash or equity, or~~

~~“(ii) stock appreciation rights or stock options.~~

~~Such term shall not include that portion of any plan which consists of a transfer of property described in section 83 (other than stock options) or which consists of a trust to which section 402(b) applies.~~

~~“(3) QUALIFIED EMPLOYER PLAN.—The term ‘qualified employer plan’ means any plan, contract, pension, account, or trust described in subparagraph (A) or (B) of section 219 (g)(5).~~

~~“(4) PLAN INCLUDES ARRANGEMENTS, ETC.—The term ‘plan’ includes any agreement or arrangement, including an agreement or arrangement that includes one person.~~

~~“(5) EXCEPTION.—Compensation shall not be treated as deferred for purposes of this section if the service provider receives payment of such compensation not later than 2<sup>1</sup>/<sub>2</sub> months after the end of the taxable year of the service recipient during which the right to the payment of such compensation is no longer subject to a substantial risk of forfeiture.~~

~~“(6) TREATMENT OF EARNINGS.—References to deferred compensation shall be treated as including references to income (whether actual or notional) attributable to such compensation or such income.~~

~~“(7) AGGREGATION RULES.—Except as provided by the Secretary, rules similar to the rules of subsections (b) and (c) of section 414 shall apply.~~

~~“(c) NO INFERENCE ON EARLIER INCOME INCLUSION OR REQUIREMENT OF LATER INCLUSION.—Nothing in this section shall be construed to prevent the inclusion of amounts in gross income under any other provision of this chapter or any other rule of law earlier than the time provided in this section. Any amount included in gross income under this section shall not be required to be included in gross income under any other provision of this chapter or any other rule of law later than the time provided in this section.~~

~~“(d) APPLICATION TO EXISTING DEFERRALS.—In the case of any amount deferred to which this section does not otherwise apply solely by reason of the fact that the amount is attributable to services performed before January 1, 2018, to the extent such amount is not includible in gross income in a taxable year beginning before 2026, such amounts shall be includible in gross income in~~

~~the later of—~~

~~“(1) the last taxable year beginning before 2026, or~~

~~“(2) the taxable year in which there is no substantial risk of forfeiture of the rights to such compensation.~~

~~“(e) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary or appropriate to carry out the purposes of this section, including regulations disregarding a substantial risk of forfeiture in cases where necessary to carry out the purposes of this section.”.~~

~~(b) REPORTING AND WITHHOLDING REQUIREMENTS.—~~

~~(1) WAGE WITHHOLDING.—The flush sentence at the end of section 3401(a) is amended by inserting “or 409B” after “409A”.~~

~~(2) WITHHOLDING OF TAX ON NONRESIDENT ALIENS.—Section 1441(c)(4) is amended by inserting “(other than under a nonqualified deferred compensation plan (within the meaning of section 409B(b)))” after “compensation for personal services”.~~

~~(3) INFORMATION REPORTING.—Section 6041(g) is amended—~~

~~(A) by inserting “or 409B(b)” after “409A(d)” in paragraph (1), and~~

~~(B) by inserting “or 409B” after “409A” in paragraph (2).~~

~~(4) RECEIPTS FOR EMPLOYEES.—Section 6051(a)(13), as amended by the preceding provisions of this Act, is amended by inserting “or 409B(b)” after “409A(d)”.~~

~~(c) TERMINATION OF CERTAIN OTHER NON-QUALIFIED DEFERRED COMPENSATION RULES.—~~

~~(1) NONQUALIFIED DEFERRED COMPENSATION.—~~

~~(A) IN GENERAL.—Subpart A of part I of subchapter D of chapter 1 is amended by striking section 409A (and by striking the item relating to such section in the table of sections for such subpart).~~

~~(B) CONFORMING AMENDMENT.—Section 26(b)(2) is amended by striking subparagraph (V).~~

~~(2) 457(b) PLANS OF TAX EXEMPT ORGANIZATIONS.—Section 457 is amended by adding at the end the following new subsection:~~

~~“(h) TERMINATION OF CERTAIN PLANS.—~~

~~“(1) TAX-EXEMPT ORGANIZATION PLANS.—This section shall not apply to amounts deferred which are attributable to services performed after December 31, 2017, under a plan maintained by an employer described in subsection (e)(1)(B).~~

~~“(2) INELIGIBLE DEFERRED COMPENSATION PLANS.—Subsection (f) shall not apply to amounts deferred which are attributable to services performed after December 31, 2017.”.~~

~~(3) NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.—~~

~~(A) IN GENERAL.—Subpart B of part II of subchapter E of chapter 1 is amended by striking section 457A (and by striking the item relating to such section in the table of sections for such subpart).~~

~~(B) CONFORMING AMENDMENT.—Section 26(b)(2) is amended by striking subparagraph (X).~~

~~(d) CLERICAL AMENDMENT.—The table of sections for part I of subchapter D of chapter 1 is amended by adding at the end the following new item:~~

~~“Sec. 409B. Nonqualified deferred compensation.”.~~

~~(e) EFFECTIVE DATE.—~~

~~(1) IN GENERAL.—Except as otherwise provided in this subsection and section 409B(d) of the Internal Revenue Code of 1986 (as added by this Act), the amendments made by this section shall apply to amounts which are attributable to services performed after December 31, 2017.~~

~~(2) ACCELERATED PAYMENTS.—No later than 120 days after the date of the enactment of this Act, the Secretary shall issue guidance providing a limited period of time during which a nonqualified deferred compensation arrangement attributable to services performed on or before December 31, 2017, may, without violating the requirements of section 409A of the Internal Revenue Code of 1986, be amended to conform the date of distribution to the date the amounts are required to be included in income.~~

~~(3) CERTAIN BACK-TO-BACK ARRANGEMENTS.—If the taxpayer is also a service recipient and maintains one or more nonqualified deferred compensation arrangements for its service providers under which any amount is attributable to services performed on or before December 31, 2017, the guidance issued under paragraph (3) shall permit such arrangements to be amended to conform the dates of distribution under such arrangement to the date amounts are required to be included in the income of such taxpayer under this subsection.~~

~~(4) ACCELERATED PAYMENT NOT TREATED AS MATERIAL MODIFICATION.—Any amendment to a nonqualified deferred compensation arrangement made pursuant to paragraph (3) or (4) shall not be treated as a material modification of the~~



~~arrangement for purposes of section 409A of the Internal Revenue Code of 1986.~~

**SEC. 3802. MODIFICATION OF LIMITATION ON EXCESSIVE  
EMPLOYEE REMUNERATION.**

**(a) REPEAL OF PERFORMANCE-BASED COMPENSATION AND COMMISSION  
EXCEPTIONS FOR LIMITATION ON EXCESSIVE EMPLOYEE REMUNERATION.—**

**(1) IN GENERAL.—**Section 162(m)(4) is amended by striking subparagraphs (B) and (C) and by re-designating subparagraphs (D), (E), (F), and (G) as subparagraphs (B), (C), (D), and (E), respectively.

**(2) CONFORMING AMENDMENTS.—**

**(A)** Paragraphs (5)(E) and (6)(D) of section 162(m) are each amended by striking “subparagraphs (B), (C), and (D)” and inserting “subparagraph (B)”.

**(B)** Paragraphs (5)(G) and (6)(G) of section 162(m) are each amended by striking “(F) and (G)” and inserting “(D) and (E)”.

**(b) EXPANSION OF APPLICABLE EMPLOYER.—**Section 162(m)(2) is amended to read as follows:

**“(2) PUBLICLY HELD CORPORATION.—**For purposes of this subsection, the term ‘publicly held corporation’ means any corporation which is an issuer (as defined in section 3 of the Securities Exchange Act of 1934 (15 U.S.C. 78c))—

**“(A)**the securities of which are required to be registered under section 12 of such Act (15 U.S.C. 78l), or

**“(B)**that is required to file reports under section 15(d) of such Act

(15 U.S.C. 78o(d)).”.

(c) MODIFICATION OF DEFINITION OF COVERED EMPLOYEES.—Section 162(m)(3) is amended—

(1) in subparagraph (A), by striking “as of the close of the taxable year, such employee is the chief executive officer of the taxpayer or is” and inserting “such employee is the principal executive officer or principal financial officer of the taxpayer at any time during the taxable year, or was”,

(2) in subparagraph (B)—

(A) by striking “4” and inserting “3”, and  
(B) by striking “(other than the chief executive officer)” and inserting “(other than the principal executive officer or principal financial officer)”, and

(3) by striking “or” at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting “, or”, and by adding at the end the following:

“(C) was a covered employee of the taxpayer (or any predecessor) for any preceding taxable year beginning after December 31, 2016.

Such term shall include any employee who would be described in subparagraph (B) if the reporting described in such subparagraph were required as so described.”.

(d) SPECIAL RULE FOR REMUNERATION PAID TO BENEFICIARIES, ETC.—Section 162(m)(4), as amended by subsection (a), is amended by adding at the end the following new subparagraph:

“(F) SPECIAL RULE FOR REMUNERATION PAID TO BENEFICIARIES,

maximum rate of tax in effect under section 1, and

“(2) such stock shall be treated for purposes of section 3501(b) in the same manner as a non-cash fringe benefit.”.

(c) COORDINATION WITH OTHER DEFERRED COMPENSATION RULES.—

(1) ELECTION TO APPLY DEFERRAL TO STATUTORY OPTIONS.—

(A) INCENTIVE STOCK OPTIONS.—Section 422(b) is amended by adding at the end the following: “Such term shall not include any option if an election is made under section 83(i) with respect to the stock received in connection with the exercise of such option.”.

(B) EMPLOYEE STOCK PURCHASE PLANS.—Section 423(a) is amended by adding at the end the following flush sentence:

“The preceding sentence shall not apply to any share of stock with respect to which an election is made under section 83(i).”.

(2) EXCLUSION FROM DEFINITION OF NONQUALIFIED DEFERRED COMPENSATION

PLAN.— ~~Section~~ Subsection (d) of section 409B(b), as added by this Act, is amended by adding at the end the following new paragraph:

“(87) TREATMENT OF QUALIFIED STOCK.—An arrangement under which an employee may receive qualified stock (as defined in section 83(i)(2)) shall not be treated as a nonqualified deferred compensation plan solely because of an employee’s election, or ability to make an election, to defer recognition of income under section 83(i).”.

(d) INFORMATION REPORTING.—Section 6051(a) Is amended by striking “and” at the end of paragraph (13), by striking the period at the end of paragraph (14)

subsection (e) shall apply to failures after December 31, 2017.

(g) TRANSITION RULE.—Until such time as the Secretary (or the Secretary’s delegate) issue regulations or other guidance for purposes of implementing the requirements of paragraph (2)(C)(i)(II) of section 83(i) of the Internal Revenue Code of 1986 (as added by this section), or the requirements of paragraph (6) of such section, a corporation shall be treated as being in compliance with such requirements (respectively) if such corporation complies with a reasonable good faith interpretation of such requirements.

SEC. 3805. MODIFICATION OF TREATMENT OF QUALIFIED EQUITY GRANTS.

(a) Section 83(i) of the Internal Revenue Code of 1986, as added by section 3804, is amended by adding at the end the following new paragraph:

“(7) RESTRICTED STOCK UNITS.—This section (other than this subsection), including any election under subsection (b), shall not apply to restricted stock units.”.

(b) The amendments made by this section shall take effect as if included in the provisions of section 3804 of this Act to which they relate.

**TITLE IV—TAXATION OF FOREIGN INCOME  
AND FOREIGN  
PERSONS**

**Subtitle A—Establishment of Participation  
Exemption System for  
Taxation of Foreign Income**

**SEC. 4001. DEDUCTION FOR FOREIGN-SOURCE PORTION OF  
DIVIDENDS RECEIVED BY DOMESTIC CORPORATIONS FROM**

aggregate unused E&P deficit as—

“(i) the product of—

“(I) such shareholder’s group ownership percentage, multiplied by

“(II) the amount which would (but for this paragraph) be taken into account under section 951(a)(1) by reason of subsection (a) by such shareholder, bears to

“(ii) the aggregate amount determined under clause (i) with respect to all E&P net surplus shareholders in such group.

“(F) GROUP OWNERSHIP PERCENTAGE.— For purposes of this paragraph, the term ‘group ownership percentage’ means, with respect to any United States shareholder in any affiliated group, the percentage of the value of the stock of such United States shareholder which is held by other includible corporations in such affiliated group. Notwithstanding the preceding sentence, the group ownership percentage of the common parent of the affiliated group is 100 percent. Any term used in this subparagraph which is also used in section 1504 shall have the same meaning as when used in such section.

“(c) APPLICATION OF PARTICIPATION EXEMPTION TO INCLUDED INCOME.—

“(1) IN GENERAL.—In the case of a United States shareholder of a deferred foreign income corporation, there shall be allowed as a deduction for the taxable year in which an amount is included in the gross income of such United States shareholder under section 951(a)(1) by reason of this section an amount equal to the sum of—

“(A) the United States shareholder’s ~~5~~7 percent rate equivalent percentage of the excess (if any) of—

“(i) the amount so included as gross income, over

“(ii) the amount of such United States shareholder’s aggregate foreign cash position, plus

“(B) the United States shareholder’s ~~12~~14 percent rate equivalent percentage of so much of the amount described in subparagraph (A)(ii) as does not exceed the amount described in subparagraph (A)(i).

“(2) ~~5~~7 AND ~~12~~14 PERCENT RATE EQUIVALENT

PERCENTAGES.—For purposes of this subsection—

“(A) ~~5~~7 PERCENT RATE EQUIVALENT PERCENTAGE.—The term ‘~~5~~7 percent rate equivalent percentage’ means, with respect to any United States shareholder for any taxable year, the percentage which would result in the amount to which such percentage applies being subject to a ~~5~~7 percent rate of tax determined by only taking into account a deduction equal to such percentage of such amount and the highest rate of tax specified in section 11 for such taxable year. In the case of any taxable year of a United States shareholder to which section 15 applies, the highest rate of tax under section 11 before the effective date of the change in rates and the highest rate of tax under section 11 after the effective date of such change shall each be taken into account under the preceding sentence in the same proportions as the portion of such taxable year which is before and after such effective date, respectively.

“(B) ~~12~~14 PERCENT RATE EQUIVALENT PERCENTAGE.—The term ‘~~12~~14 percent rate equivalent percentage’ means, with respect to any United States shareholder for any taxable year, the percentage determined under subparagraph (A) applied by substituting ‘~~12~~14 percent rate of tax’ for ‘~~5~~7 percent rate of tax’.

“(2) APPLICATION TO CERTAIN FOREIGN CORPORATIONS.—For purposes of sections 951 and 961, a foreign corporation described in paragraph (1)(B) shall be treated as a controlled foreign corporation solely for purposes of taking into account the subpart F income of such corporation under subsection (a) (and for purposes of applying subsection (f)).

“(3) EXCEPTION FOR PASSIVE FOREIGN INVESTMENT COMPANIES.—The term ‘specified foreign corporation’ shall not include any passive foreign investment company (within the meaning of subpart D of part VI of subchapter P) that is not a controlled foreign corporation.

“(f) DETERMINATIONS OF PRO RATA SHARE.—For purposes of this section, the determination of any United States shareholder’s pro rata share of any amount with respect to any specified foreign corporation shall be determined under rules similar to the rules of section 951(a)(2) by treating such amount in the same manner as subpart F income (and by treating such specified foreign corporation as a controlled foreign corporation).

“(g) DISALLOWANCE OF FOREIGN TAX CREDIT, ETC.—

“(1) IN GENERAL.—No credit shall be allowed under section 901 for the applicable percentage of any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under this section.

“(2) APPLICABLE PERCENTAGE.—For purposes of this subsection, the term ‘applicable percentage’ means the amount (expressed as a percentage) equal to the sum of—

“(A) ~~85.7~~80 percent of the ratio of—

“(i) the excess to which subsection (c)(1)(A) applies, divided by

“(ii) the sum of such excess plus the amount to which subsection (c)(1)(B) applies, plus

“(B) ~~65.7~~60 percent of the ratio of—

“(i) the amount to which subsection (c)(1)(B) applies, divided by

“(ii) the sum described in subparagraph (A)(ii).

“(3) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of paragraph (1) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).

“(4) COORDINATION WITH SECTION 78.— With respect to the taxes treated as paid or accrued by a domestic corporation with respect to amounts which are includible in gross income of such domestic corporation by reason of this section, section 78 shall apply only to so much of such taxes as bears the same proportion to the amount of such taxes as—

“(A) the excess of—

“(i) the amounts which are includible in gross income of such domestic corporation by reason of this section, over

“(ii) the deduction allowable under subsection (c) with respect to such amounts, bears to

“(B) such amounts.”

“(5) EXTENSION OF FOREIGN TAX CREDIT CARRYOVER PERIOD.—With respect to any taxes paid or accrued (or treated as paid or accrued) with respect to any amount for which a deduction is allowed under this section, section



income from sources without the United States and combined foreign oil and gas income shall be determined without regard to this section.

“(l) REGULATIONS.—The Secretary may prescribe such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section.”.

(b) CLERICAL AMENDMENT.—The table of ~~section~~[sections](#) for subpart F of part III of subchapter N of chapter 1 is amended by striking the item relating to section 965 and inserting the following:

“Sec. 965. Treatment of deferred foreign income upon transition to participation exemption system of taxation.”.

## **Subtitle B—Modifications Related to Foreign Tax Credit System**

### **SEC. 4101. REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS; DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.**

(a) REPEAL OF SECTION 902 INDIRECT FOREIGN TAX CREDITS.—Subpart A of part III of subchapter N of chapter 1 is amended by striking section 902.

(b) DETERMINATION OF SECTION 960 CREDIT ON CURRENT YEAR BASIS.—Section 960 is amended—

(1) by striking subsection (c), by redesignating subsection (b) as subsection (c), by striking all that precedes subsection (c) (as so redesignated) and inserting the following:

#### **“SEC. 960. DEEMED PAID CREDIT FOR SUBPART F INCLUSIONS.**

“(a) IN GENERAL.—For purposes of this subpart, if there is included in the gross income of a domestic corporation any item of income under section 951(a)(1)

subsection (a).

“(d) DEFINITIONS AND SPECIAL RULES.—Terms used in this section that are also used in section 882(g) shall have the same meaning as when used in such section and rules similar to the rules of paragraphs (5) and (6) of such section shall apply for purposes of this section.”.

(2) DENIAL OF DEDUCTION FOR TAX IM-POSED.—Section 275(a) is amended by inserting after paragraph (6) the following new paragraph:

“(7) Taxes imposed by section 4491.”.

(3) CLERICAL AMENDMENT.—The table of subchapters for chapter 36 is amended by adding at the end the following new item:

“SUBCHAPTER E. TAX ON CERTAIN AMOUNTS TO FOREIGN AFFILIATES.”.

(b) ELECTION TO TREAT CERTAIN PAYMENTS FROM DOMESTIC CORPORATIONS TO RELATED FOREIGN CORPORATIONS AS EFFECTIVELY CONNECTED INCOME.—Section 882 is amended by adding at the end the following new subsection:

“(g) ELECTION TO TREAT CERTAIN PAYMENTS FROM DOMESTIC CORPORATIONS TO RELATED FOREIGN CORPORATIONS AS EFFECTIVELY CONNECTED INCOME.— “

(1) IN GENERAL.— In the case of any specified amount paid or incurred by a domestic corporation, ~~or with respect to,~~ to a foreign corporation which is a member of the same international financial reporting group as such domestic corporation and which has elected to be subject to the provisions of this subsection—

“(A) such amount shall be taken into account (other than for purposes of sections 245, 245A, and 881) ~~in the taxable year of such foreign corporation during which the amount is~~

~~paid or incurred~~ as if —

“(i) such foreign corporation were engaged in a trade or business within the United States and,

“(ii) such foreign corporation had a permanent establishment in the United States during the taxable year, and as if

“(iii) such payment were income effectively connected with the conduct of a trade or business within the United States and were attributable to such permanent establishment,

“(B) for purposes of subsection (c)(1)(A), no deduction shall be allowed with respect to such amount and such subsection shall be applied without regard to such amount, and

~~“(C) the foreign corporation shall be allowed a deduction for the taxable year referred to in subparagraph (A) equal to the product of—~~

~~“(i) the sum of 104 percent plus the annual Federal short-term rate (determined under section 1274(d)) for the last month ending before the beginning of the taxable year, multiplied by~~

“(C) there shall be allowed as a deduction the deemed ~~expenses~~expense with respect ~~to~~ such amount.”.

“(2) SPECIFIED AMOUNT.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘specified amount’ means any amount which is, with respect to the payor, allowable as a deduction or

purposes of the preceding sentence, a foreign corporation shall be deemed to pay, incur, and receive amounts with respect to a trade or business it conducts within the United States (other than a trade or business it is deemed to conduct pursuant to this subsection) to the extent such foreign corporation would be treated as paying, incurring, or receiving such amounts from such trade or business if such trade or business were a domestic corporation.

“(7) JOINT AND SEVERAL LIABILITY OF MEMBERS OF INTERNAL FINANCIAL REPORTING GROUP.—In the case of any underpayment with respect to any taxable year of a foreign corporation which is a member of an international financial accounting group, each domestic corporation which is a member of such group at any time during such taxable year shall be jointly and severally liable for—

“(A) so much of such underpayment as does not exceed the excess (if any) of such underpayment over the amount of such underpayment determined without regard to this subsection, and

“(B) any penalty, addition to tax, or additional amount attributable to the amount described in subparagraph (A).

~~“(8) TREATMENT OF FOREIGN TAXES.—~~

~~“(A) ALLOWANCE OF CREDIT.—In the case of any foreign corporation which receives specified amounts to which paragraph (1) applies during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for such taxable year an amount equal to the product of—~~

~~“(i) the excess (if any) of—~~

~~“(I) the aggregate specified amounts received by such foreign corporation to which paragraph (1) applies for such taxable year, over~~

~~“(II) the aggregate amount of deductions allowed under paragraph (1)(C) with respect to such foreign corporation for such taxable year multiplied by~~

~~“(ii) the lesser of—~~

~~“(I) 50 percent of the international financial reporting group’s effective foreign tax rate for the reporting year during which or with which such taxable year ends, or “~~

~~(II) 20 percent.~~

~~“(B) DISALLOWANCE OF 8 FOREIGN TAX CREDIT ALLOWED.—No The credit shall be allowed under section 901 for any 906(a) with respect to amounts taken into account in income under paragraph (1)(A) shall be limited to 80 percent of the amount of taxes paid or accrued ~~(or treated as paid or accrued) with respect to any specified amount to which paragraph~~ and determined without regard to section 906(b)(1) applies.~~

~~“(C) DENIAL OF DEDUCTION.—No deduction shall be allowed under this chapter for any tax for which credit is not allowable under section 901 by reason of subparagraph (B) (determined by treating the taxpayer as having elected the benefits of subpart A of part III of subchapter N).~~

~~“(D) EFFECTIVE FOREIGN TAX RATE.—For purposes of this paragraph, the term ‘effective foreign tax rate’ means, with respect to any reporting year of any international financial reporting group, the ratio (expressed as a percentage and not less than zero) of—~~

~~“(i) the foreign income taxes paid by the international financial reporting group during such reporting year, divided by~~

~~“(ii) the net income of the international financial reporting group determined without regard to interest income, interest expense, and income taxes.~~

~~Amounts described in this subparagraph shall be determined as provided in paragraph (3)(C)~~

~~“(E) FOREIGN INCOME TAXES.—For purposes of this paragraph, the term ‘foreign income taxes’ means any income, war profits, or excess profits taxes paid to any foreign country or possession of the United States.”.~~

~~(9) RULES RELATED TO ELECTION.—Any election under paragraph (1) shall—~~

~~“(A) shall be made at such time and in such form and manner as the Secretary may provide, and~~

~~“(B) shall apply for the taxable year for which the election is made and all subsequent taxable years unless revoked with the consent of the Secretary.”.~~

~~(10) REGULATIONS.—The Secretary may issue such regulations or other guidance as are necessary or appropriate to carry out the purposes of this subsection, including regulations or other guidance—~~

~~“(A) to provide for the proper determination of product lines, and~~

~~“(B) to prevent the avoidance of the purposes of this subsection through the use of conduit transactions or by other means.”.~~

~~(C) REPORTING REQUIREMENTS.—~~

~~(1) REPORTING BY FOREIGN CORPORATION.— Section 6038C(b) is amended to read as follows: “(b) REQUIRED INFORMATION.—~~

~~“(1) IN GENERAL.—The information described in this subsection is—~~

(2) by striking “January 1, 2017” and inserting “January 1, 2018”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

**SEC. 4402. EXTENSION OF TEMPORARY INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE VIRGIN ISLANDS.**

(a) IN GENERAL.—Section 7652(f)(1) is amended by striking “January 1, 2017” and inserting “January 1, 2023”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2016.

**SEC. 4403. EXTENSION OF AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.**

(a) IN GENERAL.—Section 119(d) of division A of the Tax Relief and Health Care Act of 2006 is amended—

(1) by striking “January 1, 2017” each place it appears and inserting “January 1, 2023”,

(2) by striking “first 11 taxable years” in paragraph (1) and inserting “first 17 taxable years”, and

(3) by striking “first 5 taxable years” in paragraph (2) and inserting “first 11 taxable years”.

(b) TREATMENT OF CERTAIN REFERENCES.—Section 119(e) of division A of the Tax Relief and Health Care Act of 2006 is amended by adding at the end the following: “References in this subsection to section 199 of the Internal Revenue Code of 1986 shall be treated as references to such section as in effect before its repeal by the Tax Cuts and Jobs Act.”.

(bc) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2016.

## **Subtitle F—Other International Reforms**

### **SEC. 4501. RESTRICTION ON INSURANCE BUSINESS EXCEPTION TO PASSIVE FOREIGN INVESTMENT COMPANY RULES.**

(a) IN GENERAL.—Section 1297(b)(2)(B) is amended to read as follows:

“(B) derived in the active conduct of an insurance business by a qualifying insurance corporation (as defined in subsection (f)),”.

(b) QUALIFYING INSURANCE CORPORATION DE-FINED.—Section 1297 is amended by adding at the end the following new subsection:

“(f) QUALIFYING INSURANCE CORPORATION.—For purposes of subsection (b)(2)(B)—

“(1) IN GENERAL.—The term ‘qualifying insurance corporation’ means, with respect to any taxable year, a foreign corporation—

“(A) which would be subject to tax under subchapter L if such corporation were a domestic corporation, and

“(B) the applicable insurance liabilities of which constitute more than 25 percent of its total assets, determined on the basis of such liabilities and assets as reported on the corporation’s applicable financial statement for the last year ending with or within the taxable year.

“(2) ALTERNATIVE FACTS AND CIRCUMSTANCES TEST FOR CERTAIN CORPORATIONS.—



**PRIVATE COLLEGES AND UNIVERSITIES.**

“(a) TAX IMPOSED.—There is hereby imposed on each applicable educational institution for the taxable year a tax equal to 1.4 percent of the net investment income of such institution for the taxable year.

“(b) APPLICABLE EDUCATIONAL INSTITUTION.—For purposes of this subchapter—

“(1) IN GENERAL.—The term ‘applicable educational institution’ means an eligible educational institution (as defined in section 25A(e)(3))—

“(A) which has at least 500 students during the preceding taxable year,

“(B) which is not described in the first sentence of section 511(a)(2)(B), and

“(C) the aggregate fair market value of the assets of which at the end of the preceding taxable year (other than those assets which are used directly in carrying out the institution’s exempt purpose) is at least \$250,000 per student of the institution.

“(2) STUDENTS.—For purposes of paragraph (1), the number of students of an institution shall be based on the daily average number of full-time students attending such institution (with part-time students taken into account on a full-time student equivalent basis).

“(c) NET INVESTMENT INCOME.—For purposes of this section, net investment income shall be determined under rules similar to the rules of section 4940(c).”.

“(d) ASSETS AND NET INVESTMENT INCOME OF RELATED ORGANIZATIONS.—

“(1) IN GENERAL.—For purposes of sub-sections (b)(1)(C) and (c), the assets and net investment income of any related organization

shall be treated as the assets and net investment income of the eligible educational institution.

“(2) RELATED ORGANIZATION.—For purposes of this subsection, the term ‘related organization’ means, with respect to an eligible educational institution, any organization which—

“(A) controls, or is controlled by, such institution,

“(B) is controlled by one or more persons that control such institution, or

“(C) is a supported organization (as defined in section 509(f)(3)), or an organization described in section 509(a)(3), during the taxable year with respect to such institution.”.

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 42 is amended by adding at the end the following new item:

“SUBCHAPTER H—EXCISE TAX BASED ON INVESTMENT INCOME OF PRIVATE COLLEGES AND UNIVERSITIES”.

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

**SEC. 5104. EXCEPTION FROM PRIVATE FOUNDATION EXCESS  
BUSINESS HOLDING TAX FOR INDEPENDENTLY-OPERATED  
PHILANTHROPIC  
BUSINESS HOLDINGS.**

(a) IN GENERAL.—Section 4943 is amended by adding at the end the following new subsection:

“(g) EXCEPTION FOR CERTAIN HOLDINGS LIMITED TO INDEPENDENTLY-OPERATED PHILANTHROPIC BUSINESS.—

“(1) IN GENERAL.—Subsection (a) shall not apply with respect to the holdings of a private foundation in any business enterprise which for the taxable year

## Subtitle C—Requirements for Organizations Exempt From Tax

SEC. 5201. ~~CHURCHES~~501(c)(3) ORGANIZATIONS PERMITTED TO  
MAKE STATEMENTS RELATING TO POLITICAL CAMPAIGN IN  
ORDINARY COURSE OF ~~RELIGIOUS SERVICES AND~~ ACTIVITIES.

(a) IN GENERAL.—Section 501 is amended by adding at the end the following  
new subsection:

“(s) SPECIAL RULE RELATING TO POLITICAL CAMPAIGN STATEMENTS OF ~~CHURCHES,  
INTEGRATED—AUXILIARIES,—ETC.~~ORGANIZATIONS DESCRIBED IN SUBSECTION  
(c)(3)—

“(1) IN GENERAL.—For purposes of subsection (c)(3) and sections  
170(c)(2), 2055, 2106, 2522, and 4955, an organization ~~described in section  
508(c)(1)(A)~~ shall not fail to be treated as organized and operated  
exclusively for a ~~religious~~ purpose described in subsection (c)(3), nor  
shall it be deemed to have participated in, or intervened in any political  
campaign on behalf of (or in opposition to) any candidate for public  
office, solely because of the content of any ~~homily, sermon, teaching,  
dialectic, or other presentation made during religious services or  
gatherings, but only if the preparation and presentation of such  
content~~statement which—

“(A) is made in the ordinary course of the organization’s regular and  
customary activities in carrying out its exempt purpose, and

“(B) results in the organization incurring not more than de minimis  
incremental expenses.”.

“(2) TERMINATION.—Paragraph (1) shall not apply to taxable years

beginning after December 31, 2023.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years ~~ending after the date of the enactment of this Act~~beginning after December 31, 2018.

**SEC. 5202. ADDITIONAL REPORTING REQUIREMENTS FOR DONOR ADVISED FUND SPONSORING ORGANIZATIONS.**

(a) IN GENERAL.—Section 6033(k) is amended by striking “and” at the end of paragraph (2), by striking the period at the end of paragraph (3), and by adding at the end the following new paragraphs:

“(4) indicate the average amount of grants made from such funds during such taxable year (expressed as a percentage of the value of assets held in such funds at the beginning of such taxable year), and

“(5) indicate whether the organization has a policy with respect to donor advised funds (as so defined) for frequency and minimum level of distributions.

Such organization shall include with such return a copy of any policy described in paragraph (5).”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply for returns filed for taxable years beginning after December 31, 2017.

<b>Summary report:</b>	
<b>Litéra® Change-Pro TDC 10.1.0.320 Document comparison done on 11/9/2017 6:40:41 PM</b>	
<b>Style name:</b> Color Legislative Moves+Images	
<b>Intelligent Table Comparison:</b> Active	
<b>Original filename:</b> H.R. 1 (Tax Reform Bill).docx	
<b>Modified filename:</b> H.R. 1 (Tax Reform Bill)_Updated.DOCX	
<b>Changes:</b>	
<u>Add</u>	353
<del>Delete</del>	361
<del>Move From</del>	55
<u>Move To</u>	55
<u>Table Insert</u>	0
<del>Table Delete</del>	0
<u>Table moves to</u>	0
<del>Table moves from</del>	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
<b>Total Changes:</b>	<b>824</b>