

2025 Tax Bill – Summary and Analysis

BROWNSTEIN CLIENT ALERT, May 16, 2025

On Monday, May 12, House Ways and Means Committee (“Committee”) Chairman Jason Smith (R-MO) released text of the Committee’s tax title for the FY 2025 budget reconciliation bill—the amendment in the nature of a substitute (AINS). Following the release of the text, the Committee released a section-by-section summary of the bill and the Joint Committee on Taxation (JCT) released a description of the bill’s tax provisions and accompanying revenue tables. The AINS includes the Tax Cuts and Jobs Act’s (TCJA, [Pub. L. 115-97](#)) expiring provisions that were initially unveiled on Friday evening. All links to bill text, summaries and revenue tables are included below.

The AINS served as the base text for the Committee to mark up. The Committee began marking up the bill on Tuesday, May 13, completing its markup on Wednesday morning, May 14, after more than 17 hours of discussion. The Committee voted to adopt the AINS by voice vote, while accompanying motions to adopt the Committee Print as amended and to transmit the Committee’s recommendations to the House Budget Committee were adopted by a party-line vote of 26-19. During the markup, 38 Democratic-supported amendments were offered, but none were adopted. No Republican-supported amendments were offered.

The Committee’s tax title goes next to the House Budget Committee, which is responsible for consolidating the legislative packages reported by the other House committees with instructions under the budget resolution. The Budget Committee is expected to hold a markup later this week to approve the consolidated reconciliation bill, with no amendments permitted. The final package will then go before the House Rules Committee and is expected to come before the House for final passage next week.

Legislative Text

Below are links to materials from the Ways and Means Committee and the JCT on legislative language.

- Amendment in the Nature of a Substitute
 - [Text](#)
 - [Ways and Means Section-by-Section Summary](#)
 - [JCT Description](#)
 - [JCT Table of Estimated Revenue Effects](#)
 - [JCT Table of Distribution of Estimated Revenue Effects](#)
- Draft Legislative Text
 - [Text](#)
 - [JCT Description](#)
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- **Subtitle D – Increase in Debt Limit**

Subtitle A – Make American Workers and Families Thrive Again

PART 1 – PERMANENTLY PREVENTING TAX HIKES ON AMERICAN FAMILIES AND WORKERS

Section 110001. Extension of Modification of Rates.

- Makes permanent the current income tax rates, which were enacted by the TCJA but scheduled to sunset after 2025.
- Provides a one-time additional inflation adjustment to the income tax brackets for 2026, excluding the 37% bracket.
- Effectively expands the tax brackets, lowering the tax liability for taxpayers in brackets below the top 37% bracket.
- Revenue estimate: \$2.18 trillion revenue loss.

Section 110002. Extension of Increased Standard Deduction and Temporary Enhancement.

- Makes permanent the current standard deduction, which was expanded by the TCJA but scheduled to sunset after 2025, and starting in 2026 increases the indexing for inflation by changing the base year from 2017 to 2016.
- Provides a temporary increase (not indexed for inflation) to the standard deduction amounts for taxable years 2025 through 2028. The temporary increase amounts are: \$1,000 for individuals, \$1,500 for head of household, and \$2,000 for joint filers. The bill does not change the additional standard deduction amounts.
- Effective for taxable years beginning after Dec. 31, 2025, except for the temporary increase in the standard deduction.
- Revenue estimate: \$1.31 trillion revenue loss.

Section 110003. Termination of Deduction for Personal Exemptions.

- Effectively terminates the deduction for personal exemptions by permanently reducing the personal exemption to \$0. The TCJA temporarily reduced the personal exemption amount to zero for taxable years 2018 through 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.87 trillion revenue gain.

Section 110004. Extension of Increased Child Tax Credit and Temporary Enhancement.

- Temporarily increases the maximum child tax credit to \$2,500 per child for taxable years beginning after Dec. 31, 2024, and before Dec. 31, 2028.
- Starting in 2029, the maximum child tax credit reverts to a permanent \$2,000 per child, indexed for inflation starting in 2029.
- Makes permanent the \$1,400 maximum amount of the additional child tax credit per qualifying child (\$1,700 in 2025).
- Makes permanent the earned income threshold of \$2,500 for the purpose of the earned income formula.
- Makes permanent the income phaseout threshold amounts of \$400,000 for taxpayers filing jointly and \$200,000 for all other taxpayers.
- Makes permanent the \$500 nonrefundable credit for each dependent of the taxpayer other than a qualifying child. This credit is not adjusted for inflation.
- The Social Security number of the taxpayer, the taxpayer's spouse (if married filing jointly), and the qualifying child must appear on the tax return.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$797.3 billion revenue loss.

Section 110005. Extension of Deduction for Qualified Business Income and Permanent Enhancement.

- Makes permanent the Section 199A Qualified Business Income deduction.
- Increases the percentage used to calculate the deduction for qualified business income from 20% to 23%.
- Adjusts the phase-in limitation by adopting a complex two-prong test that would provide a more generous phase-in of the W-2 wages and capital investment requirement and specified service trade or businesses.
- Extends the application of Section 199A to Business Development Corporations (BDC).
- Indexes the threshold amounts for inflation for taxable years beginning after 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$819.7 billion revenue loss.

Section 110006. Extension of Increased Estate and Gift Tax Exemption Amounts and Permanent Enhancement.

- Permanently increases the unified estate and gift tax exemption to \$15 million, and correspondingly increases the generation-skipping transfer tax exemption to the same level.
- The exemption amounts are indexed to inflation with a base year of 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$211.7 billion revenue loss.

Section 110007. Extension of Increased Alternative Minimum Tax Exemption and Phase-out Thresholds.

- Makes permanent the increased alternative minimum tax (AMT) exemption amount, which is scheduled to decline from \$137,000 (married filers) in 2025 to \$109,800 in 2026.
- Permanently extends the AMT phase-out threshold, above which the exemption amount phases out. The threshold is scheduled to drop from \$1,252,700 (married filers) in 2025 to \$209,200 in 2026.
- Both permanent extensions prevent the AMT from expanding to cover significant numbers of upper-middle-income taxpayers (i.e. annual incomes between \$200,000 and \$400,000)
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.41 trillion revenue loss.

Section 110008. Extension of Limitation on Deduction for Qualified Residence Interest.

- Makes permanent the current limitation on deductibility of qualified residence interest established by the TCJA but scheduled to sunset after 2025.
- Permanently extends the \$750,000 (\$375,000 in the case of a married individual filing separately) limitation on acquisition indebtedness and the exclusion of interest on home equity indebtedness from the definition of qualified residence interest.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.2 billion revenue gain (*Note: The revenue estimates for Sections 110008, 110009, 110010 and 110011 are not broken down individually, but rather are aggregated in one estimate.)

Section 110009. Extension of Limitation on Casualty Loss Deduction.

- Makes permanent the limitation on personal casualty losses, which limits losses attributable to presidentially declared disasters to the sum of the individual's personal casualty gains plus the amount by which aggregate net disaster-related

losses exceed 10% of the individual taxpayer's adjusted gross income. All other personal casualty losses are deductible only to the extent that the losses do not exceed the individual's personal casualty gains.

- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: See revenue estimate and note for Section 110008.

Section 110010. Termination of Miscellaneous Itemized Deductions.

- Makes permanent the temporary repeal of miscellaneous itemized deductions enacted by the TCJA, disallowing deductions such as investment expenses, legal fees and unreimbursed employee business expenses, which prior to TCJA were deductible to the extent they exceeded 2% of a taxpayer's adjusted gross income.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: See revenue estimate and note for Section 110008.

Section 110011. Termination of Overall Limitation on Itemized Deductions.

- Makes permanent the repeal of overall limitations on itemized deductions—the so-called "Pease limitation"—for taxable years after Dec. 31, 2025, which, prior to TCJA, generally limited the deduction to 80% of the amount of the taxpayer's itemized deductions otherwise allowable for that year.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: See revenue estimate and note for Section 110008.

Section 110012. Termination of Qualified Bicycle Commuting Reimbursement Exclusion.

- Makes permanent the suspension of the qualified bicycle commuting reimbursement fringe benefit, effectively terminating the exclusion from gross income that was allowed prior to the TCJA for certain bicycle commuting expenses.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$173 million revenue gain.

Section 110013. Extension of Limitation on Exclusion and Deduction for Moving Expenses.

- Makes permanent the repeal of the deduction for moving expenses, except in the case of a member of the Armed Forces (or their spouse or child).
- Permanently repeals the qualified moving expense reimbursement exclusion except in the case of a member of the Armed Forces of the United States on active duty who moves pursuant to a military order and incident to a permanent change of station.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$14.4 billion revenue gain.

Section 110014. Extension of Limitation on Wagering Losses.

- Makes permanent the rule that losses from wagering transactions includes any deduction otherwise allowable under Chapter 1 of the Code incurred on any wagering transaction.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$47 million revenue gain.

Section 110015. Extension of Increased Limitation on Contributions to ABLE Accounts and Permanent Enhancement.

- Makes permanent and enhances changes made to ABLE account contribution limits by the TCJA.
- Links the annual contribution limit to the I.R.C. Sec. 2503(b) federal gift tax exclusion, but calculates inflation starting from 1996 instead of 1997, which will result in a higher limit for ABLE account contributions.
- Makes the additional contribution allowance for working beneficiaries (up to poverty line) permanent beyond 2025. To qualify, neither the working beneficiary nor their employer may contribute to a defined contribution plan (e.g., a 401(k) plan). The additional contribution amount is equal to the lesser of the beneficiary's compensation included in gross income or an amount equal to the poverty line for a one-person household for the preceding calendar year.
- Effective for contributions made after Dec. 31, 2025.
- Revenue estimate: \$7 million revenue loss.

Section 110016. Extension of Savers Credit Allowed for ABLE Contributions.

- Makes permanent the current Saver's Credit allowed for ABLE account contributions made by the account beneficiary.
- Repeals the Saver's Match program enacted by the SECURE 2.0 Act of 2022, that was set to replace the current Saver's Credit starting in tax year 2027.
- Starting on Jan. 1, 2027, limits eligible contributions for purposes of the Saver's Credit to ABLE account contributions made by the beneficiary during the taxable year.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$8 million revenue loss.

Section 110017. Extension of Rollovers from Qualified Tuition Programs to ABLE Accounts Permitted.

- Makes permanent nontaxable rollovers from qualified tuition programs—529 accounts—to ABLE accounts, if the following conditions are met:
 - the rollover is completed within 60 days;
 - the ABLE account beneficiary is either the 529 account beneficiary or a member of the 529 account beneficiary's family; and
 - the rollover amount does not, when added to all other contributions to the ABLE account in the taxable year, exceed the annual gift tax exclusion.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$11 million revenue loss.

Section 110018. Extension of Treatment of Certain Individuals Performing Services in the Sinai Peninsula and Enhancement to Include Additional Areas.

- Permanently treats a qualified hazardous duty area in the same manner as a combat zone for purposes of determining eligibility for the certain tax benefits available to members of the Armed Forces.
- Modifies the definition of qualified hazardous duty area to include: (1) the Sinai Peninsula of Egypt if as of Dec. 22, 2017, any member of the Armed Forces of the United States is entitled to special pay under 37 U.S.C. Section 310 for duty subject to hostile fire or imminent danger for services performed in such location, and (2) Kenya, Mali, Burkina Faso and Chad if as of date of enactment, any member of the Armed Forces of the United States is entitled to special pay under 37 U.S.C. Section 310 for duty subject to hostile fire or imminent danger for services performed in such location.
- Effective for services performed on or after Dec. 31, 2025.

- Revenue estimate: \$11 million revenue loss.

Section 110019. Extension of Exclusion from Gross Income of Student Loans Discharged on Account of Death or Disability.

- Restores the TCJA's exclusion from gross income for forgiven student loans on account of the student's death or permanent disability.
- Taxpayer must provide a Social Security number on the tax return in order to qualify.
- For discharges after Dec. 31, 2017, and before Jan. 1, 2026, the American Rescue Plan Act (ARPA) provided a temporary exclusion from gross income for amounts from the discharge of student loan or private education loan indebtedness. The ARPA provision was effective through the end of 2025. The ARPA provision applied to all forgiven student loan debt, not just on account of death or disability.
- Effective for discharges after Dec. 31, 2015.
- Revenue estimate: \$385 million revenue loss.

PART 2 – ADDITIONAL TAX RELIEF FOR AMERICAN FAMILIES AND WORKERS

Section 110101. No Tax on Tips.

- For tax years 2025 through 2028, creates an above-the-line "tip deduction" for "qualified tips" that an individual receives and are included on Forms W-2, 1099-K, or 1099-NEC (or reported by the taxpayer on Form 4137).
- Defines "qualified tips" as cash tips received in an occupation where tips are traditional and customary, as defined by the Treasury Department within 90 days of enactment ("the occupation test"). Qualified tips must also meet several other requirements:
 - tips must be paid voluntarily, without any consequence in the event of nonpayment, not subject to negotiation and determined by the payor;
 - tip recipient cannot be in a specified trade or business (as defined in Sec. 199A(d)(2));
 - tip recipient cannot be a highly compensated employee of *any* employer during the applicable tax year *and* cannot receive earned income during the applicable tax year exceeding the threshold for a highly compensated employee (i.e., \$160,000 in 2025); and
 - any other requirements established by the Secretary of the Treasury.
- Limits the ability of independent contractors and sole proprietors to claim the tip deduction to situations in which they received the payment: (1) in the course of a trade or business, (2) for services and direct sales, or (3) related to third-party settlement organizations. If the payment received falls into one of the above categories, it must also meet the following requirements:
 - the payment must be subject to the third-party reporting requirements (the threshold for which the bill also increases from \$600 to \$2,000);
 - there must be a separate accounting of the tip portion of the payment properly designated as a tip; and
 - the payee must meet the occupation test.
- Prevents a taxpayer receiving tips in the course of his or her own trade or business from claiming the tip deduction to generate losses by limiting the deduction to the amount that qualified tips exceed (1) the cost of goods sold allocable to such receipts, plus (2) other expenses, losses or deductions allocable to such receipts.
- Requires the tip recipients to include their Social Security number on their tax return, as well as their spouse's Social Security number, as applicable.

- Prohibits the amount any tip deduction from being considered qualified business income.
- Adds “beauty services” to the list of businesses eligible for the FICA business tip credit, which allows businesses to deduct FICA taxes paid on tips exceeding the federal minimum wage.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$39.7 billion revenue loss.

Section 110102. No Tax on Overtime.

- Creates an above-the-line deduction for overtime premium pay during taxable years 2025 through 2028.
- Defines qualified overtime compensation as overtime compensation paid to an individual that is required under law and is in excess of the regular rate at which the individual is employed.
- Excludes highly compensated employees from the deduction (\$160,000 in 2025).
- Requires the individual to include a work-eligible Social Security number on his or her return to claim the deduction.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$124 billion revenue loss.

Section 110103. Enhanced Deduction for Seniors.

- Creates new “senior bonus amount” equal to \$4,000 per individual for taxpayers who have attained age 65.
- Phases out (by 4% of modified gross income in excess of threshold) the bonus amount for taxpayers with incomes over \$75,000 (\$150,000 for joint filers).
- Requires that a work-eligible Social Security number of the taxpayer and the taxpayer’s spouse (if filing jointly) be included on the return.
- Permits the senior bonus deduction whether the taxpayer claims the standard deduction or itemized deductions.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$71.6 billion revenue loss.

Section 110104. No Tax on Car Loan Interest.

- Creates an above-the-line deduction of up to \$10,000 for qualified passenger vehicle loan interest during taxable years 2025 through 2028.
- Phases out the deduction when the taxpayer’s modified adjusted gross income exceeds \$100,000.
- Requires the final assembly of a qualified passenger vehicle, among other things, to occur in the United States.
- Effective for indebtedness incurred after Dec. 31, 2024.
- Revenue estimate: \$57.7 billion revenue loss.

Section 110105. Enhancement of Employer-Provided Child Care Credit.

- Increases the employer-provided child care credit to 40% of qualified child care expenditures (50% for eligible small businesses) in addition to maintaining the 10% credit for qualified referral expenses.
- Increases the total credit limit to \$500,000 (\$600,000 for small businesses), adjusted for inflation.

- Defines small business as those with gross receipts of less than or equal to \$25 million (inflation-adjusted) based on the five-year period preceding the taxable year. In 2025, the inflation-adjusted small business gross receipts threshold is \$31 million.
- Expands the definition of qualified child care expenditures to include amounts paid or incurred under a contract with a third-party that contracts with one or more qualified child care facilities to provide child care services. In addition, the definition of qualified child care facilities is expanded to allow for qualified child care facilities that are jointly owned or operated by the taxpayer and other entities or persons.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- Revenue estimate: \$731 million revenue loss.

Section 110106. Extension and Enhancement of Paid Family and Medical Leave Credit.

- Extends the paid family and medical leave credit under Section 45S permanently.
- Modifies the credit so that it can be claimed based on wages paid or based on premiums paid.
- Includes an aggregation rule for employers within the same controlled group treating them as a single employer, but allows eligible employers to receive the Section 45S credit even if another member of the controlled group pays paid leave under a state or locally mandated policy. Compensation is determined on an annualized basis but is calculated on a pro-rata basis for part-time employees.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$5.5 billion revenue loss.

Section 110107. Enhancement of Adoption Credit.

- Treats up to \$5,000 of the adoption tax credit as refundable, with the refundable amount indexed for inflation starting in 2026. Current law permits up to \$17,280 of qualified adoption expenses for 2025.
- Caps the five-year carryforward of unused adoption credits at the nonrefundable portion (e.g., \$12,280 in 2025).
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2.3 billion revenue loss.

Section 110108. Recognizing Indian Tribal Governments for Purposes of Determining Whether a Child Has Special Needs for Purposes of the Adoption Credit.

- Provides an Indian tribal government the same authority as a state for purposes of determining whether a child has "special needs" for purposes of the adoption tax credit.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$1 million revenue loss.

Section 110109. Tax Credit for Contributions of Individuals to Scholarship Granting Organizations.

- Creates a new tax credit for individual taxpayers who make qualified contributions to a scholarship granting organization in tax years 2026 through 2029.
- Limits the credit amount to the greater of 10% of the taxpayer's gross income or \$5,000.
- Effective for taxable years ending after Dec. 31, 2025

- Revenue estimate: \$20.4 billion revenue loss.

Section 110110. Additional Elementary, Secondary, and Home School Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts.

- Expands qualified higher education expenses to include curriculum and curricular materials, books or other instructional materials, online educational materials, tuition for certain tutoring or educational classes outside of the home, fees for certain tests, fees for dual enrollment in an institution of higher education, and certain educational therapies for students with disabilities incurred while enrolled an elementary or secondary public, private or religious school or in connection with a homeschool.
- Effective for distributions made after the date of enactment.
- Revenue estimate: \$145 million revenue loss.

Section 110111. Certain Postsecondary Credentialing Expenses Treated as Qualified Higher Education Expenses for Purposes of 529 Accounts.

- Expands qualified higher education expenses to included expenses incurred in attending a postsecondary credential program that awards postsecondary employment credentials, including a postsecondary employment credential that is industry recognized, an apprenticeship that is registered and certified with the Secretary of Labor under the National Apprenticeship Act, any occupational or professional license issued or recognized by a state or the federal government, and any recognized postsecondary credential as defined under section 3 of the Workforce Innovation and Opportunity Act.
- Effective for distributions made after the date of enactment.
- Revenue estimate: Cost included in revenue estimate for section 110110.

Section 110112. Reinstatement of Partial Deduction for Charitable Contributions of Individuals Who Do Not Elect to Itemize.

- Partially reinstates the above-the-line deduction for charitable contributions for taxpayers who claim the standard deduction in taxable years 2025 through 2028.
- Limits the deduction to \$150 for single filers and \$300 for joint filers.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$6.9 billion revenue loss.

Section 110113. Exclusion for Certain Employer Payments of Student Loans Under Educational Assistance Programs Made Permanent and Adjusted for Inflation.

- Adjusts for inflation the \$5,250 maximum amount employers may exclude from an employee's wages annually for educational assistance provided by the employer to the employee in taxable years beginning after 2026.
- Repeals the requirement that a student loan payment must be made before Jan. 1, 2026, to qualify as "educational assistance," making permanent the exclusion for employer payments of qualified education loans.
- Effective for payments made after Dec. 31, 2025.
- Revenue estimate: \$11.2 billion revenue loss.

Section 110114. Extension of Rules for Treatment of Certain Disaster-Related Personal Casualty Losses.

- Allows taxpayers to claim disaster-related personal casualty losses, without having to itemize, beyond the current expiration date of Feb. 10, 2025, through the date of enactment.

- Effective on the date of enactment.
- Revenue estimate: \$60 million revenue loss.

Section 110115. MAGA Accounts.

- Establishes MAGA accounts (Money Accounts for Growth and Advancement) to provide tax-advantaged savings accounts to children who are U.S. citizens under the age of 8 at the time the account is established.
- Allows contributions of up to \$5,000 per account per year, up to age 18, with the \$5,000 limit indexed for inflation.
- Prohibits distributions prior to age 18 without penalties. Beginning at age 18, account holders can access up to 50% of the balance for higher education, training, small business loans and first-time home purchases.
- Allows account holders at age 25 to withdraw the full balance for the above purposes.
- Requires the account to be terminated and deemed distributed when the account holder reaches age 31.
- Taxes distributions for qualified purposes as long-term capital gains, rather than as ordinary income.
- Permits contributions from tax-exempt entities such as private foundations greater than \$5,000 per year up to age 18; must be provided to all beneficiaries within a qualified group (such as a state, specific school district or educational institution); and all beneficiaries must receive an equal portion of the contribution.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$4.5 billion revenue loss.

Section 110116. MAGA Accounts Contribution Pilot Program.

- Directs the federal government to make a one-time \$1,000 contribution per child to a MAGA account for U.S. citizens born in 2024 through 2028.
- Requires the child to be a U.S. citizen and both parents must provide Social Security numbers (work-eligible Social Security numbers are permitted).
- Allows the Treasury Department to establish the account for the child; parents may opt out.
- Effective for taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$12.8 billion revenue loss.

PART 3 – INVESTING IN HEALTH OF AMERICAN FAMILIES AND WORKERS

Section 110201. Treatment of Health Reimbursement Arrangements Integrated with Individual Market Coverage.

- Generally, codifies regulations finalized in 2019 allowing employees to utilize employer funded health reimbursement arrangements (HRAs) to purchase qualified coverage in the individual market (ICHRA).
- Modifies the 2019 rule to:
 - Allow CHOICE arrangements that otherwise satisfy the requirements prescribed in the bill to also satisfy the requirement of section 2715 of the PHS Act to provide a summary of benefits and coverage;
 - Allow employers that offer their employees a fully insured plan in the small group market to offer employees a choice between that plan and a CHOICE arrangement; and

- Require employers to provide required notices no later than 60 days before the beginning of the plan year.
- Renames ICHRAs as Custom Health Option and Individual Care Expense (CHOICE) arrangements.
- Effective for plan years beginning after Dec. 31, 2025.
- Revenue estimate: \$492 million revenue loss (*Note: The revenue estimates for Sections 110201, 110202, and 110203 are aggregated in one estimate.)

Section 110202. Participants in CHOICE Arrangement Eligible for Purchase of Exchange Insurance Under Cafeteria Plan.

- Permits employees enrolled in a CHOICE arrangement in conjunction with a cafeteria plan to use salary reduction amounts to purchase health insurance coverage on the individual health exchange.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: See revenue estimate and note for Section 110201.

Section 110203. Employer Credit for CHOICE Arrangement.

- Allows businesses with fewer than 50 employees offering coverage through CHOICE arrangements for the first time to claim a two-year general business tax credit equal to:
 - First year: \$100 per employee per month.
 - Second year: \$50 per employee per month.
- Adjusts the credit amounts for inflation beginning in 2027.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: See revenue estimate and note for Section 110201.

Section 110204. Individuals Entitled to Part A of Medicare by Reason of Age Allowed to Contribute to Health Savings Accounts.

- Allows contributions to a Health Savings Account (HSA) by an individual who is Medicare eligible but enrolled in Part A only, by reason of the individual's age.
- Excludes such Part A coverage from being treated as having a health plan or other coverage.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$4.4 billion revenue loss.

Section 110205. Treatment of Direct Primary Care Service Arrangements.

- Provides that enrollment in a direct primary care service arrangement is not considered "other" health coverage under a health plan that precludes the enrolled individual from contributing to an HSA.
- Limits such direct primary care service arrangements to those consisting solely of primary care services provided by primary care practitioners, not including procedures that require the use of general anesthesia, prescription drugs other than vaccines, and laboratory services not typically administered in an ambulatory primary care setting.
- Requires that aggregate fees for all direct primary care service arrangements may not exceed \$150 per month for an individual, or twice that amount for more than one individual, adjusted annually for inflation.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2.8 billion revenue loss.

Section 110206. Allowance of Bronze and Catastrophic Plans in Connection with Health Savings Accounts.

- Treats any Bronze or Catastrophic plan offered in the individual market on an Exchange as a high-deductible health plan (HDHP).
- Effective for months in taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.6 billion revenue loss.

Section 110207. On-Site Employee Clinics.

- Codifies the rule that health services provided by employer-sponsored on-site health clinics are not considered “other” coverage under a health plan that precludes an individual receiving such services from contributing to an HSA.
- Allows employer-sponsored on-site health clinics to include health facilities located at a facility owned or leased by the individual’s employer or the employer of the individual’s spouse, or at a health care facility operated primarily for the benefit of employees of the individual’s employer or the employer of the individual’s spouse.
- Includes as qualified items and services physical examinations, immunizations, drugs or biologics other than a prescribed drug, treatment for injuries occurring in the course of the individual’s employment, preventive care for chronic conditions, drug testing, and hearing or vision screenings and related services.
- Effective for months in taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2.3 billion revenue loss.

Section 110208. Certain Amounts Paid for Physical Activity, Fitness, and Exercise Treated as Amounts Paid for Medical Care.

- Expands the definition of qualified medical expenses for HSA purposes to include certain sports and fitness expenses paid, including membership at a fitness facility and participation or instruction in physical exercise or activities.
- Limits distributions from an HSA for sports and physical activity expenses to \$500 for single filers and \$1,000 for joint or head of household filers, indexed for inflation.
- Excludes from covered fitness facilities: (1) private clubs owned and operated by its members; (2) clubs that offers golf, hunting, sailing or riding facilities; (3) health or fitness facility components that are merely incidental to its overall function and purpose, or (4) noncompliant with state and federal anti-discrimination laws.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$10.5 billion revenue loss.

Section 110209. Allow Both Spouses to Make Catch-up Contributions to the Same Health Savings Account.

- Allows qualifying married couples to deposit their catch-up contributions into one HSA.
- Requires both spouses to be catch-up eligible (at least age 55) and have family coverage under as HDHP as of the first day of any month.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$1.9 billion revenue loss.

Section 110210. FSA And HRA Terminations or Conversions to Fund HSAs.

- Permits conversions of Flexible Spending Account (FSA) and Health Reimbursement Account (HRA) balances into an HSA contribution upon enrolling in an HDHP.

- Caps the conversion amount at the annual FSA contribution limit – \$3,300 in 2025 (\$6,600 in the case of an eligible individual who has family coverage under an HDHP).
- Requires distributions to be made in connection with the employee establishing coverage under an HDHP, and the employee must not have been covered under an HDHP during the four-year period preceding the establishment of such coverage.
- Effective for distributions made after Dec. 31, 2025.
- Revenue estimate: \$363 million revenue loss.

Section 110211. Special Rule for Certain Medical Expenses Incurred Before Establishment of Health Savings Account.

- Allows distributions from an HSA to be excludable from gross income as a qualified medical expense if the HSA is established during the 60-day period beginning on the date that an individual's enrollment under an HDHP begins.
- Effective for health plan coverage beginning after Dec. 31, 2025.
- Revenue estimate: \$190 million revenue loss.

Section 110212. Contributions Permitted If Spouse Has Health Flexible Spending Arrangement.

- Disregards coverage of an employee's spouse under their FSA for purposes of determining whether an individual is eligible to contribute to an HSA.
- Permits the exception only if the aggregate reimbursements of the spouse's FSA does not exceed that aggregate expenses that would be eligible for reimbursement under the FSA if such expenses were determined without regard to expenses paid or incurred by the individual eligible for the HSA.
- Effective for plan years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.8 billion revenue loss.

Section 110213. Increase In Health Savings Account Contribution Limitation for Certain Individuals.

- Doubles the amount that can be contributed to an HSA and deducted for certain individuals. For 2025, the amounts are \$4,300 for self-only coverage and \$8,550 for family coverage, adjusted for inflation.
- Phases out the increased amounts ratably beginning at \$75,000 and ending at \$100,000 of adjusted gross income for self-only coverage for single filers, married filing separately or head of households. For joint taxpayers with family coverage, the amounts phase out ratably beginning at \$150,000 and ending at \$200,000 of adjusted gross income.
- Applies only to employee contributions, and does not apply to employer contributions, including those made under cafeteria plans.
- 2026 increase is effective for taxable years beginning after Dec. 31, 2025; inflation adjusted amounts are effective for taxable years beginning after 2027.
- Revenue estimate: \$8.4 billion revenue loss.

Section 110214. Regulations.

- Provides that Secretary of the Treasury and the Secretary of Health and Human Services may each prescribe rules and other guidance as necessary or appropriate for the provision included in Subtitle A, Part 3 of the bill.

Subtitle B – Make Rural America and Main Street Grow Again

PART 1 – EXTENSION OF TAX CUTS AND JOBS ACT REFORMS FOR RURAL AMERICA AND MAIN STREET

Section 111001. Extension of Special Depreciation Allowance for Certain Property.

- Allows taxpayer to expense 100% of qualified property placed in service on or after Jan. 20, 2025, and before Jan. 1, 2030 (and before Jan. 1, 2031, for longer production period property and certain aircraft).
- Effective for property acquired and placed in service after Jan. 19, 2025, and to specified plants planted or grafted after such date.
- Revenue estimate: \$36.6 billion revenue loss.

Section 111002. Deduction of Domestic Research and Experimental Expenditures.

- Restores immediate deductibility of research or experimental expenditures for amounts paid or incurred in taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Alternatively allows taxpayers to capitalize and recover research or experimental expenditures ratably over the useful life of the research (up to 60 months) or over 10 years beginning with the taxable year of the expenditure.
- Requires foreign research or experimental expenditures to be amortized over 15 years.
- Permits taxpayers to recover domestic capitalized research or experimental expenditures upon disposition, retirement or abandonment; foreign capitalized research or experimental expenditures may only be recovered over the 15-year period when the property is disposed, retired or abandoned after the date of introduction (May 12, 2025).
- Requires taxpayers to reduce domestic research or experimental expenditures by the amount of any research credit under section 41 for taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030; alternatively, the taxpayer may elect to claim a reduced research credit.
- Effective for amounts paid or incurred in taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Revenue estimate: \$22.8 billion revenue loss.

Section 111003. Modified Calculation of Adjusted Taxable Income for Purposes of Business Interest Deduction.

- Reinstates the earnings before interest, taxes, depreciation, and amortization (EBITDA) limitation under section 163(j) for taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Modifies the definition of “motor vehicle” for purposes of the special floor plan financing interest rules to include trailers and campers towed by, or affixed to, a motor vehicle.
- Effective for taxable years beginning after Dec. 31, 2024, and before Jan. 1, 2030.
- Revenue estimate: \$39.6 billion revenue loss.

Section 111004. Extension of Deduction for Foreign-Derived Intangible Income and Global Intangible Low-Taxed Income.

- Makes permanent the current 50% deduction with respect to global intangible low-taxed income (GILTI), preventing the reduced deduction that would effectively increase the GILTI tax rate from 10.5% to 13.125% in 2026.
- Preserves the current 37.5% deduction for exports of domestically produced goods under the Foreign-Derived Intangible Income (FDII) deduction.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$142.6 billion revenue loss.

Section 111005. Extension of Base Erosion Minimum Tax Amount.

- Makes permanent the 10% (11% for banks and registered security dealers) Base Erosion Minimum Tax (BEAT) tax rate, preventing the increase to 12.5% in 2026.
- Preserves the treatment of certain tax credits under the BEAT rules.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$31.2 billion revenue loss.

PART 2 – ADDITIONAL TAX RELIEF FOR RURAL AMERICA AND MAIN STREET

Section 111101. Special Depreciation Allowance for Qualified Production Property.

- Allows taxpayers an elective 100% depreciation allowance for the cost of qualified production property.
- Requires qualifying property to be nonresidential real property used as an integral part of the manufacturing, production or refining of tangible personal property, and placed in service in the United States or a U.S. territory. Original use of the property must begin with the taxpayer.
- Requires construction of the property to begin after Jan. 19, 2025, and before Jan. 1, 2029, and the property must be placed in service after the date of enactment of the bill and before Jan. 1, 2033.
- Treats property acquired after Jan. 19, 2025, and before Jan. 1, 2029, as satisfying the construction and original use requirements if the acquired property was not used in a qualified production activity by any person at any time between Jan. 1, 2021, and May 12, 2025.
- Excludes from expensing any portion of the property used for offices, administrative services, lodging, parking, sales activities, research activities, software engineering activities or other functions unrelated to manufacturing, production or refining of tangible personal property.
- Applies recapture rules if the use of the property changes within 10 years after being placed in service.
- Effective for property placed in service after the date of enactment.
- Revenue estimate: \$147.9 billion revenue loss.

Section 111102. Renewal And Enhancement of Opportunity Zones.

- Allows for the designation of additional qualified Opportunity Zones in effect from Jan. 1, 2027, through Dec. 31, 2033.
- Requires additional qualified Opportunity Zone census tracts to have a poverty rate of at least 20% or median family income that does not exceed 70% of the greater of metropolitan area median family income or statewide median family income (for a nonmetropolitan census tract, the median family income does not exceed 70% of statewide median family income).
- Requires at least 33% of the designated zones in a state to be comprised entirely of rural areas. If there are not enough rural areas to achieve the 33% threshold, all

rural areas must be designated. Tracts contiguous with low-income communities are not eligible to be designated.

- Excludes higher income contiguous census tracts from eligibility for designation.
- Provides a 10% step-up in basis when the investment is held at least five years prior to Dec. 31, 2033.
- Provides investments in a rural qualified opportunity fund with a 30% step-up in basis when held at least five years, and the substantial improvement threshold of existing structure is reduced to 50% in rural areas.
- Permits up to \$10,000 of post-tax ordinary income to be invested.
- Applies reporting requirements to Opportunity Zones.
- The designation of additional qualified Opportunity Zones is effective for amounts invested after the date of enactment; information and data reporting requirements are effective for taxable years beginning after the date of enactment.
- Revenue estimate: \$5.46 billion revenue loss.

Section 111103. Increased Dollar Limitations for Expensing of Certain Depreciable Business Assets.

- Increases the maximum amount a taxpayer may expense under section 179 to \$2,000,000 and increases the phaseout threshold amount to \$4,000,000, each amount indexed for inflation after 2025.
- Effective for property placed in service in taxable years beginning after Dec. 31, 2024.
- Revenue estimate: \$24.8 billion revenue loss.

Section 111104. Repeal of Revision to De Minimis Rules for Third Party Network Transactions.

- Amends Section 6050W to require a third-party settlement organization (e.g., PayPal and Venmo) to provide information returns (i.e., Form 1099-K) to participating payees when the amount of reportable payment transactions exceeds both \$20,000 and 200 aggregate transactions (previously \$600 and no transaction minimum).
- Amends Section 3406 correspondingly to increase the backup withholding thresholds but provides an exception if there were reportable payments in settlement of third-party network transactions in the prior calendar year.
- Section 6050W modification are effective as if included in the American Plan Rescue Act of 2021, and the Section 3406 modification are effective for calendar years beginning after Dec. 31, 2024.
- Revenue estimate: \$8.9 billion revenue loss.

Section 111105. Increase in Threshold for Requiring Information Reporting with Respect to Certain Payees.

- Amends Sections 6041 and 6041A to increase the threshold for which certain information returns (e.g., Forms 1099-MISC and 1099-NEC) are required to be filed, from an aggregate of \$600 to \$2,000 (indexed for inflation for calendar years after 2026).
- Amends Section 3406 to make a conforming increase to the backup withholding thresholds.
- Effective for payments made after Dec. 31, 2025.

- Revenue estimate: \$4.18 billion revenue loss.

Section 111106. Repeal of Excise Tax on Indoor Tanning Services.

- Repeals the Affordable Care Act's 10% sales tax on indoor tanning services, which requires service providers to collect the tax from consumers and remit the tax to the federal government.
- The provision is effective for services performed after date of enactment.
- Revenue estimate: \$365 million revenue loss.

Section 111107. Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property.

- Excludes from gross income 25% of interest income derived from qualified real estate loans from banks insured under the Federal Deposit Insurance Act, domestic entities owned by a bank holding company, state or federally regulated insurance companies, domestic entities owned by a state law insurance holding company, and the Federal Agricultural Mortgage Corporation (Farmer Mac).
- Specifies that qualified real estate loans are the following types of original loans made after the date of enactment and before Jan. 1, 2029, to a person other than a specified foreign entity:
 - loans secured by domestic real property that is substantially used to produce agricultural products (e.g., farms and ranches) or a leasehold mortgage on such property;
 - loans secured by domestic real property that is substantially used in the trade or business of fishing or seafood processing or a leasehold mortgage on such property; and
 - loans secured by any domestic aquaculture facility or a leasehold mortgage on such facility.
- Treats qualified real estate loans as tax-exempt obligations for purposes of disallowing interest deductions on indebtedness incurred by qualified lenders to purchase or carry such loans.
- Excludes refinancings of loans made on or before the date of enactment.
- Requires original debt to be incurred in taxable years ending after the date of enactment.
- Effective for original debt incurred in taxable years ending after the date of enactment.
- Revenue estimate: \$1.1 billion revenue loss.

Section 111108. Treatment of Certain Qualified Sound Recording Productions.

- Allows qualified sound recording productions, including film, television and theatre productions to expense up to \$150,000 in costs per taxable year under Section 181. Defines a "qualified sound recording production" as a sound recording produced in the United States.
- Allows for qualified sound recording productions placed in service before Jan. 1, 2029, to be eligible for bonus depreciation.
- Revenue estimate: \$153 million revenue loss.

Section 111109. Modifications to Low-Income Housing Credit.

- Increases the state housing credit ceiling for each calendar years 2026 through 2029 by multiplying the dollar amount for that year by 1.125.

- Modifies the tax-exempt bond financing requirement to permit a building a 4% credit without receiving a credit allocation if at least 25% (rather than 50%) of the aggregate basis of the building is financed with one or more qualified obligations. A qualified obligation is generally a tax-exempt bond issued after Dec. 31, 2025, before Jan. 1, 2030, and provides the financing for at least 5% of the aggregate basis of the building and the land on which the building is located.
- Provides a temporary increase in housing credit by expanding the definition of difficult development areas to include Indian areas and rural areas in the case of buildings placed in service after Dec. 31, 2025, and before Jan. 1, 2030.
- The increase in state housing ceiling amounts is effective for calendar years after 2025. The modification of the tax-exempt bond financing requirement and the temporary inclusion of Indian areas and rural areas as difficult development areas is effective for buildings placed in service in taxable years beginning after Dec. 31, 2025 (in the case of a building with respect to which any expenditures are treated as a separate new building under section 42(e), both the existing building and the separate new building are treated as having been placed in service on the date the expenditures are treated as placed in service under section 42(e)(4)).
- Revenue estimate: \$14.1 billion revenue loss.

Section 111110. Increased Gross Receipts Threshold for Small Manufacturing Businesses.

- Allows, after 2025, a new category of “manufacturing taxpayers” to use the cash method of accounting if the average annual gross receipts are less than \$80 million (indexed for inflation and estimated to be \$100 million in 2026).
- Defines a “manufacturing taxpayer” as one that derives substantially all of its gross receipts from the lease, rental, license, sale, exchange or other disposition of tangible personal property (except food or beverages made and sold on-site) produced or manufactured by the taxpayer.
- Applies the aggregation rules with respect to activity involving research or experimentation, any activity in connection with a trade or business, or any activity with respect to which expenses are allowable as a deduction under section 212.
- Effective for taxable years beginning after Dec. 31, 2025
- Revenue estimate: \$14.6 billion revenue loss.

Section 111111. Global Intangible Low-Taxed Income Determined Without Regard to Certain Income Derived from Services Performed in the Virgin Islands.

- Excludes from tested income under the Global Intangible Low-Taxed Income (GILTI) rules qualified income attributable to compensation for labor or personal services performed in the U.S. Virgin Islands (USVI) by a specified U.S. shareholder of a USVI corporation that is effectively connected with the conduct of a trade or business within the USVI.
- Defines a specified U.S. shareholder as a U.S. shareholder that is an individual, trust or closely held C Corporation (if such corporation acquired its direct or indirect equity interest in the foreign corporation that derived the qualified Virgin Islands services income before Dec. 31, 2023).
- Effective for taxable years beginning after the date of enactment.
- Revenue estimate: \$883 million revenue loss.

Section 11112. Extension and Modification of Clean Fuel Production Credit.

- Extends the Section 45Z clean fuel production credit for transportation fuel sold before Jan 1, 2032 (previously Jan. 1, 2028).
- Requires that the feedstock for transportation fuel sold after Dec. 31, 2025, be produced or grown in the United States, Mexico or Canada.
- For taxable years beginning after Dec. 31, 2025, excludes from lifecycle greenhouse gas emissions rates emissions attributed to indirect land use change and for fuels derived from animal manure, there will be separate rates based on the type of manure (including but not limited to dairy manure, swine manure and poultry manure).
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity (which generally includes foreign terrorist organizations, those on the specially designated nationals and blocked person list maintained by OFAC, foreign entities determined to be engaged in unauthorized conduct that is detrimental to the national security or foreign policy of the United States, and other similar entities as described in new Section 7701(a)(51)(B)).
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity (which generally includes a specified foreign entity has authority to appoint a covered officer or one or more specified foreign entities have a sufficient ownership stake in the applicable entity, as described in new Section 7701(a)(51)(D)).
- The prohibition on foreign feedstocks applies to transportation fuel sold after Dec. 31, 2025; emission rate determinations apply to emission rates published for taxable years beginning after Dec. 31, 2025; the credit extension is effective on the date of enactment; and the restrictions on foreign entities apply to taxable years beginning after the date of enactment.
- Revenue estimate: \$45.4 billion revenue loss.

PART 3 – INVESTING IN THE HEALTH OF RURAL AMERICA AND MAIN STREET

Section 11201. Expanding the Definition of Rural Emergency Hospital Under the Medicare Program.

- Establishes a look-back period from Dec. 26, 2020, to Jan. 1, 2014, for hospitals that were qualifying rural hospitals during that time, but closed before Dec. 27, 2020, allowing such hospitals to reopen and apply to become enrolled under Medicare as a licensed rural emergency hospital.
- Restricts hospitals reopened and located less than 35 miles from the nearest hospital, critical access hospital or another rural emergency hospital, from eligibility for the 5% increase in outpatient payments.
- Restricts hospitals reopened and located less than 10 miles from the nearest hospital, critical access hospital or another rural emergency hospital, from eligibility for the rural emergency hospital facility fee.
- Effective on or after Jan. 1, 2027.
- Revenue estimate: *estimate to be provided by the Congressional Budget Office.*

Subtitle C – Make America Win Again

PART 1 – WORKING FAMILIES OVER ELITES

Section 112001. Termination of Previously Owned Clean Vehicle Credit.

- Terminates the Section 25E credit for previously owned vehicles acquired after Dec. 31, 2025 (previously Dec. 31, 2032).
- Effective for vehicles acquired after Dec. 31, 2025.
- Revenue estimate: \$7.4 billion revenue gain.

Section 112002. Termination of Clean Vehicle Credit.

- Terminates the Section 30D clean vehicle credit for vehicles placed in service after Dec. 31, 2025 (previously Dec. 31, 2032).
- Provides an exception allowing the credit for clean vehicles placed in service in 2026 if the manufacturer placed in service 200,000 or less “covered vehicles” between Dec. 31, 2009, and Dec. 31, 2025. Defines covered vehicles as those manufactured and sold in the United States that are new, qualified plug-in elective vehicles placed in service before Jan. 1, 2023, or clean vehicles.
- Effective for vehicles placed in service after Dec. 31, 2025.
- Revenue estimate: \$78.5 billion revenue gain.

Section 112003. Termination of Qualified Commercial Clean Vehicles Credit.

- Terminates the Section 45W credit for qualified commercial clean vehicles placed in service after Dec. 31, 2025 (previously Dec. 31, 2032).
- Provides an exception allowing the credit for vehicles placed in service before Jan. 1, 2033, provided they were acquired pursuant to a written binding contract entered into before May 12, 2025.
- Effective for vehicles acquired after Dec. 31, 2025.
- Revenue estimate: \$104.6 billion revenue gain.

Section 112004. Termination of Alternative Fuel Vehicle Refueling Property Credit.

- Terminates the Section 30C credit for qualified alternative fuel vehicle refueling property placed in service after Dec. 31, 2025 (previously Dec. 31, 2032).
- Effective for property placed in service after Dec. 31, 2025.
- Revenue estimate: \$1.2 billion revenue gain.

Section 112005. Termination of Energy Efficient Home Improvement Credit.

- Terminates the Section 25C credit for qualified energy efficiency improvements, residential energy property expenditures and the amount paid for home energy audits after Dec. 31, 2025 (previously Dec. 31, 2032).
- Effective for property placed in service (or property expenditures or audit costs) after Dec. 31, 2025.
- Revenue estimate: \$21.2 billion revenue gain.

Section 112006. Termination of Residential Clean Energy Credit.

- Terminates the Section 25D residential clean energy credit for property placed in service after Dec. 31, 2025 (previously Dec. 31, 2034).
- Effective for property placed in service after Dec. 31, 2025.
- Revenue estimate: \$77.3 billion revenue gain.

Section 112007. Termination of New Energy Efficient Home Credit.

- Terminates the Section 45L new energy efficient home credit for qualifying homes sold after Dec. 31, 2025 (previously Dec. 31, 2032).

- Provides an exception allowing the credit for homes sold in 2026 provided that construction began before May 12, 2025.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.0 billion revenue gain.

Section 112008. Phase-out and Restrictions on Clean Electricity Production Credit.

- Phases out the Section 45Y clean electricity production credit by reducing the credit by: (i) 20% for facilities placed in service in 2029, (ii) 40% for facilities placed in service in 2030, (iii) 60% for facilities placed in service in 2031, and (iv) 100% for facilities placed in service after Dec. 31, 2031.
- Amends the definition of “qualified facility” to exclude any facility that begins construction more than one year after the date of enactment if the construction of such facility includes material assistance from a prohibited foreign entity.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment if the taxpayer makes certain payments: (i) to a prohibited foreign entity in an amount equal to or exceeding 5% of the taxpayer’s total payments related to electricity production during the taxable year, or (ii) to more than one prohibited foreign entity if the aggregate amount of such payments equals or exceeds 15% of the taxpayer’s total payments related to electricity production during the taxable year.
- Terminates the transferability of the credit for facilities that begin construction more than two years after the date of enactment.
- Effective for taxable years beginning after the date of enactment, except the repeal of credit transferability, which is effective for credits generated by facilities that begin construction more than two years after the date of enactment.
- Revenue estimate: \$27.5 billion revenue gain.

Section 112009. Phase-out and Restrictions on Clean Electricity Investment Credit.

- Phases out the Section 48E clean electricity investment credit by reducing the credit by: (i) 20% for any qualified investment with respect to any qualified facility or energy storage technology placed in service in 2029, (ii) 40% for any qualified investment with respect to any qualified facility or energy storage technology placed in service in 2030, (iii) 60% for any qualified investment with respect to any qualified facility or energy storage technology placed in service in 2031, and (iv) 100% for any qualified investment with respect to any qualified facility or energy storage technology placed in service after Dec. 31, 2031.
- Amends the definitions of “qualified facility” and “energy storage technology” to exclude any facility or property that begins construction more than one year after the date of enactment if there is any material assistance from a prohibited foreign entity.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment if the taxpayer makes certain payments: (i) to a single prohibited foreign

entity in an amount equal to or exceeding 5% of the taxpayer's total payments related to electricity production or storage or energy during the taxable year, or (ii) to more than one prohibited foreign entity if the aggregate amount of such payments equals or exceeds 15% of the taxpayer's total payments related to electricity production or storage of energy during the taxable year.

- Modifies the Section 48E credit recapture rules such that if a specified taxpayer (i.e., a taxpayer that has been allowed a Section 48E credit for any taxable year beginning more than two years after the date of enactment) makes an applicable payment (i.e., a payment to a prohibited foreign entity meeting a certain value threshold) during the 10-year period following placement in service, 100% of the credit for that property is recaptured, effectively extending the recapture period for Section 48E property with respect to which a payment to a prohibited foreign entity has been made.
- Terminates the transferability of the credit for facilities and energy storage technology for which construction begins more than two years after date of enactment.
- Modifies the Section 48E(h)(4) low-income communities bonus credit such that the environmental justice capacity limitation may not be allocated after Dec. 31, 2031, no excess capacity limitation may be carried over to any year after such date, and facilities that have been awarded low-income communities bonus credits must be placed in service by the earlier of the date that is four years after the date such facilities have been allocated environmental justice capacity by the Secretary or Dec. 31, 2031, effectively ending the low-income communities bonus credit after 2031.
- Effective for taxable years beginning after the date of enactment, except the repeal of credit transferability applies to facilities for which construction begins more than two years after the date of enactment.
- Revenue estimate: \$154.9 billion revenue gain.

Section 112010. Repeal of Transferability of Clean Fuel Production Credit.

- Terminates the transferability of the Section 45Z clean fuel production credit attributable to fuel produced after Dec. 31, 2027.
- Effective for fuel produced after Dec. 31, 2027.
- Revenue estimate: See revenue estimate and note for Section 111112.

Section 112011. Restrictions on Carbon Oxide Sequestration Credit.

- Disallows the Section 45Q credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment if the taxpayer is a foreign-influenced entity.
- Terminates the transferability of the credit for carbon capture equipment for which construction begins more than two years after the date of enactment.
- Effective for taxable years beginning after the date of enactment, except for the repeal of credit transferability, which is effective for carbon capture equipment for which construction begins more than two years after the date of enactment.
- Revenue estimate: \$18.0 billion revenue gain.

Section 112012. Phase-out and Restrictions on Zero Emission Nuclear Power Production Credit.

- Phases out the Section 45U zero-emission nuclear power production credit by reducing the credit by: (i) 20% for electricity produced and sold in 2029, (ii) 40% for electricity produced and sold in 2030, (iii) 60% for electricity produced and sold in 2031, and (iv) 100% for electricity produced and sold after Dec. 31, 2031.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign entity.
- Disallows the credit for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.
- Terminates transferability of the credit for electricity produced and sold after Dec. 31, 2027.
- Effective for taxable years beginning after the date of enactment, except for the repeal of credit transferability, which is effective for electricity produced and sold after Dec. 31, 2027.
- Revenue estimate: \$10.4 billion revenue gain.

Section 112013. Termination of Clean Hydrogen Production Credit.

- Repeals the credit for qualified clean hydrogen production facility for facilities that do not begin construction before Jan. 1, 2026 (previously Jan. 1, 2033).
- Effective for facilities that begin construction after Dec. 31, 2025.
- Revenue estimate: \$9.2 billion revenue gain.

Section 112014. Phase-out and Restrictions on Advanced Manufacturing Production Credit.

- Accelerates the phase-out of the Section 45X advanced manufacturing production credit, repealing the credit for eligible components sold after Dec. 31, 2031.
- Disallows the credit for wind energy components sold after Dec. 31, 2027.
- Disallows the credit for any taxable year beginning after the date of enactment for any specified foreign.
- Disallows the credit for any taxable year beginning more than two years after the date of enactment for any foreign-influenced entity.
- Amends the definition of “eligible component” for taxable years beginning more than two years after the date of enactment to exclude any property: (i) that includes any material assistance from a prohibited foreign entity, or (ii) is produced subject to a licensing agreement valued above \$1 million with a prohibited foreign entity, effectively disallowing the credit for property produced with a material amount of assistance from certain foreign entities of concern.
- Disallows the credit for any taxable year beginning more than two years after the date of enactment if the taxpayer makes certain payments: (i) to a single prohibited foreign entity in an amount equal to or exceeding 5% of the taxpayer’s total payments related to the production of eligible components within such eligible component category (i.e., solar energy components, wind energy components, certain inverters, qualifying battery components and applicable critical minerals) during the taxable year, or (ii) to more than one prohibited foreign entity if the aggregate amount of such payments equals or exceeds 15% of the taxpayer’s total payments related to the production of eligible components within such eligible component category during the taxable year.
- Terminates transferability of the credit attributable to components sold after Dec. 31, 2027.

- Effective for taxable years beginning after the date of enactment, except for the repeal of credit transferability, which is effective for components sold after Dec. 31, 2027.
- Revenue estimate: \$44.2 billion revenue gain.

Section 112015. Phase-out of Credit for Certain Energy Property.

- Phases out the Section 48 energy credit for property geothermal heat pump equipment using the ground or groundwater as a thermal source placed into service during the year, unless construction begins before Jan. 1, 2032 (previously Jan. 1, 2035), and the phase-out energy percentages for computing the credit for such property are accelerated by three years.
- Disallows the credit with respect to such geothermal heat pump equipment for any taxable year after the date of enactment for any specified foreign entity.
- Disallows the credit with respect to such geothermal heat pump equipment for any taxable year beginning two years after the date of enactment for any foreign-influenced entity.
- Terminates transferability of the credit with respect to geothermal heat pump equipment for which construction begins more than two years after the date of enactment.
- Effective for taxable years beginning after the date of enactment, except for the repeal of credit transferability, which is effective for facilities for which construction begins more than two years after the date of enactment.
- Revenue estimate: \$22 million revenue gain.

Section 112016. Income from Hydrogen Storage, Carbon Capture Added to Qualifying Income of Certain Publicly Traded Partnerships Treated as Corporations.

- Expands the definition of qualifying income for publicly traded partnerships to include income and gains with respect to transporting or storing sustainable aviation fuel, liquified hydrogen or compressed hydrogen.
- Expands qualifying income for publicly traded partnerships to include income and gains from the generation, availability for such generation, storage of electric power, or the capture of carbon dioxide at qualified facilities for carbon oxide sequestration where not less than 50% of the total carbon oxide production is qualified carbon oxide (for purposes of Section 45Q).
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$2.0 billion revenue loss.

Section 112017. Limitation on Amortization of Certain Sports Franchises.

- Reduces by half the amount of intangible assets (i.e., goodwill, franchise value, employment contracts, etc.) that a professional sport franchise may amortize by limiting the application of Section 197 to 50% of adjusted basis.
- Applies to professional sports franchises acquired after the date of enactment.
- Revenue estimate: \$991 million revenue gain.

Section 112018. Limitation on Individual Deductions for Certain State and Local Taxes, etc.

- Increases the cap on deducting state and local taxes (SALT) to \$30,000 for taxpayers earning under \$400,000 (\$15,000 in the case of a married individual filing a separate return).
- Gradually reduces the \$30,000 cap for individuals with income over \$400,000 but not below \$10,000 (\$5,000 in the case of a married individual filing a separate return).
- Eliminates “work arounds” to avoid the SALT cap by modifying the list of taxes subject to the SALT cap (“specified taxes”); provides that certain payments that substitute for specified taxes are also subject to the SALT cap; requires partnerships and S corporations to treat specified taxes as separately stated items; imposes an addition to tax in certain cases where a partnership makes a state or local tax payment, one or more partners receives a state or local tax benefit, and the allocation of the tax payment differs from the allocation of the tax benefit; prevents the capitalization of specified taxes; and grants the Secretary of the Treasury regulatory authority to prevent avoidance of the SALT cap.
- Makes the provision permanent for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$915.6 billion revenue gain.

Section 112019. Excessive Employee Remuneration from Controlled Group Members and Allocation of Deduction.

- Applies aggregation rules to specified covered employees of controlled groups to prevent the use of related entities to structure around the Section 162(m) \$1 million executive compensation deduction limitation.
- Defines “controlled group” to refer to groups treated as a single employer for certain benefit purposes.
- Defines “specified covered employee” to refer to: (i) the principal executive officer (PEO) or principal financial officer (PFO) of a publicly traded corporation, (ii) the three highest (aside from the PEO or PFO) compensated employees of a publicly traded corporation, (iii) any employee of the publicly traded corporation who was covered by (i) or (ii) for any taxable year beginning after Dec. 31, 2016, and (iv) for tax years beginning after Dec. 31, 2026, any employee of a member of the aggregated group (other than the persons listed in (i) or (ii)) who would be among the five highest compensated employees of the aggregated controlled group.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$15.7 billion revenue gain.

Section 112020. Expanding Application of Tax on Excess Compensation within Tax-Exempt Organizations.

- Expands the definition of “covered employee” to any employee (including any former employee) of an applicable tax-exempt organization, eliminating the current limitation of the excise tax to (a) the five highest compensated employees in the taxable year and (b) covered employees in any other taxable year after 2016.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.84 billion revenue gain.

Section 112021. Modification of Excise Tax on Investment Income of Certain Private Colleges and Universities.

- Revises the excise tax on applicable educational institutions with a new rate structure under which the amount of tax imposed is equal to:

- 1.4% of net investment income if the student-adjusted endowment is over \$500,000 and not in excess of \$750,000.
 - 7% of net investment income if the student-adjusted endowment is over \$750,000 and not in excess of \$1.25 million.
 - 14% of net investment income if the student-adjusted endowment is over \$1.25 million and not in excess of \$2 million.
 - 21% of net investment income if the student-adjusted endowment is over \$2 million.
- Amends the definition of applicable education institution to exclude qualified religious institutions, and defines a qualified religious institution as one that was:
 - established after July 4, 1776;
 - established by or in association with and has continuously maintained an affiliation with a church or a convention or association of churches; and
 - which maintains a published institutional mission that is approved by the governing body of such institution and that includes, refers to or is predicated upon religious tenets, beliefs or teachings.
- Amends the definition of student-adjusted endowment to the aggregate fair market value of the assets of such institution (determined as of the end of the preceding taxable year), other than those assets that are used directly in carrying out the institution's exempt purpose, divided by the number of eligible students of such institution as defined by Sec. 484(a)(5) of the Higher Education Act of 1965 (HEA).
- Defines eligible students to include only U.S. citizens or nationals, U.S. permanent residents (green card holders) and certain other eligible noncitizens (individuals who can provide documentation from U.S. immigration authorities showing they are in the United States for purposes other than temporary stay and that they intent to become citizens or permanent residents).
- Amends the definition of net investment income, overriding certain regulatory exceptions under current law. Specifically:
 - Net investment income now includes any interest income from a student loan made by the applied educational institution or related organization as gross investment income.
 - Net investment income includes any federally subsidized royalty income (FSRI) as gross investment income. FSRI is defined as any otherwise-regulatory-exempt royalty income if any federal funds were used in the research, development or creation of the patent, copyright, or other intellectual or intangible property from which such royalty income is derived.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$6.7 billion revenue gain.

Section 112022. Increase in Rate of Tax on Net Investment Income of Certain Private Foundations.

- Increases the excise tax rate on private foundations based on the value of the assets, with the following brackets and rates:
 - Assets less than \$50 million – 1.39%
 - Assets between \$50 million and less than \$250 million – 2.78%
 - Assets between \$250 million and less than \$5 billion – 5%
 - Assets more than \$5 billion – 10%
- Effective for tax years beginning after the date of enactment.
- Revenue estimate: \$15.9 billion revenue gain.

Section 112023. Certain Purchases of Employee-Owned Stock Disregarded for Purposes of Foundation Tax on Excess Business Holdings.

- Treats certain voting stock, which is repurchased by the corporation from a retiring employee who held the stock in an employee stock ownership plan, as outstanding stock for purposes of calculating tax on excess business holdings.
- Includes such repurchases as outstanding stock only to the extent that treating the repurchased stock as outstanding voting stock does not result in permitted holdings exceeding 49% (i.e., a minority voting stake).
- Effective for taxable years ending after the date of enactment and to purchases by a business enterprise of voting stock in taxable years beginning after Dec. 31, 2019.
- Revenue estimate: *Negligible revenue effect.*

Section 112024. Unrelated Business Taxable Income Increased by Amount of Certain Fringe Benefit Expenses for Which Deduction Is Disallowed.

- Increases the unrelated business taxable income of a tax-exempt organization by any amounts paid or incurred by the organization for any qualified transportation fringe or any parking facility used with qualified parking for which a deduction is not allowable under section 274.
- Excludes churches and church-affiliated organizations.
- Effective for amounts paid or incurred after Dec. 31, 2025.
- Revenue estimate: \$2.7 billion revenue gain.

Section 112025. Name and Logo Royalties Treated as Unrelated Business Taxable Income.

- Modifies the unrelated business income tax treatment of royalty income from licensing a tax-exempt organization's name or logo, treating such income taxable as unrelated business income.
- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$3.8 billion revenue gain.

Section 112026. Exclusion of Research Income Limited to Publicly Available Research.

- Restricts the exclusion for certain research under the unrelated-business income tax (UBIT) to income earned from research that is made publicly available.
- Effective for amounts received or accrued after Dec. 31, 2025.
- Revenue estimate: *Negligible revenue effect.*

Section 112027. Limitation on Excess Business Losses of Noncorporate Taxpayers.

- Makes permanent the limitation on excess business loss of a taxpayer other than a corporation.
- Modifies the limitation on excess business losses by adding "specified losses" to the calculation of excess business loss (EBL), which allows the full amount of the specified loss (not reduced by the 80% limitation under section 172(a)) attributable to an EBL disallowance to increase the subsequent year's aggregate deductions used in calculating such year's excess business loss. A specified loss is treated as an NOL arising from the original taxable year incurred.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$26.5 billion revenue gain.

Section 112028. 1% Floor on Deduction of Charitable Contributions Made by Corporations.

- Allows a corporate charitable deduction only to the extent that aggregate contributions exceed 1% of the taxpayer taxable income and does not exceed 10% of the corporation's taxable income, with contributions in excess of the 10% limit carried forward five subsequent tax years.
- Permits contributions disallowed under the 1% floor to be carried forward only from years in which the taxpayer's contributions exceed the 10% limit.
- Effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$16.6 billion revenue gain.

Section 112029. Enforcement of Remedies Against Unfair Foreign Taxes.

- Adds new section 899 to the Code that increases the tax of an "applicable person" of a foreign discriminatory country—generally a foreign individual, business, trust, nonprofit organization or government of a foreign discriminatory country—by 5 percentage points per year up to a maximum of 20 percentage points. The new provision would not apply in the case of a foreign country that is not a foreign discriminatory country.
- Defines an unfair foreign tax to include an undertaxed profits rule (UTPR) tax, a digital services tax (DST), diverted profits tax, and to the extent provided by the Secretary of the Treasury, an extraterritorial tax, discriminatory tax or any other tax enacted with a public or stated purpose that it be borne disproportionately by a U.S. person.
- Applies the increased rate to the following U.S. taxes:
 - 30% rate imposed on fixed, determinable, annual, or periodic (FDAP) income, certain capital gains, and certain other U.S. income earned by a nonresident alien individual,
 - Individual income tax imposed on a nonresident alien individual's effectively connected income (ECI) but only to the extent imposed on gains/losses from the disposition of U.S. real property interests,
 - 30% rate imposed on FDAP and certain other U.S.-sourced income of a foreign corporation,
 - 21% income tax rate imposed on the ECI of a foreign corporation,
 - 30% rate imposed on dividend equivalent amounts, and
 - 4% rate imposed on U.S.-sourced gross investment income of a foreign private foundation.
- Substitutes income-tax treaty rates, if applicable, for the rates noted above.
- Modifies the Base Erosion and Anti-Abuse Tax (BEAT) of a corporation that is more than 50% owned by applicable persons to increase BEAT liability by disregarding the BEAT annual gross receipts or base erosion percentage, increasing the BEAT tax rate to 12.5%, reducing regular tax by all allowable tax credits, not reducing base erosion tax benefits by amounts on which tax is imposed or withheld, and computing base erosion payments without regard to the service cost exception and any amount (other than the purchase price of depreciable or amortizable property or inventory) that would have been a base erosion payment but for the fact that taxpayer capitalizes the amount.
- Applies the increase in the tax rate with respect to an applicable person of a foreign discriminatory country on the first day of the first calendar year beginning on or after

the later of: (1) 90 days after the date of enactment of section 988; (2) 180 days after the date of enactment of the unfair tax that causes the country to be a discriminatory foreign country; or (3) the first date that an unfair foreign tax begins to apply.

- Suspends penalties and/or interest for the failure to deduct or withhold the additional tax before Jan. 1, 2027, if the withholding agent demonstrates to the satisfaction of the Secretary of the Treasury that best efforts were made to do so in a timely manner.
- Effective as of the date of enactment.
- Revenue estimate: \$116.3 billion revenue gain.

Section 112030. Reduction of Excise Tax on Firearms Silencers.

- Repeals the \$200 transfer tax on firearm silencers by removing “silencer” from the definition of a firearm (under 18 U.S.C. 921) for purposes of the National Firearms Act.
- Effective for transfers after the date of enactment.
- Revenue estimate: \$1.444 billion revenue loss.

Section 112031. Modifications to De Minimis Entry Privilege for Commercial Shipments.

- Repeals the de minimis privilege worldwide, under Section 321 of the Tariff Act of 1930, which generally allows shipments bound for American businesses and consumers valued under \$800 to enter the United States free of duties or taxes, and increases penalties for violators.
- Effective as of July 1, 2027.
- Revenue estimate: *estimate to be provided by the Congressional Budget Office.*

Section 112032. Limitation on Drawback of Taxes Paid with Respect to Substituted Merchandise.

- Revises the amount of drawback granted under the Code or the Tariff Act of 1930 on the export or destruction of substituted merchandise for purposes of drawback of tax imposed under chapter 52 of the Code (tobacco products and related products), with the revised amount not permitted to exceed the amount of taxes paid (and not returned by refund, credit, or drawback) on the substituted merchandise.
- Current law makes certain importers of tobacco products eligible for a refund of certain duties or taxes paid when a product is imported and refunded when the product is exported. In some cases, an importer may qualify for a refund of tax paid on an imported good, even though the corresponding export product is not subject to tax.
- Effective for claims filed on or after July 1, 2026.
- Revenue estimate: \$12.1 billion revenue gain.

PART 2 – REMOVING TAXPAYER BENEFITS FOR ILLEGAL IMMIGRANTS

Section 112101. Permitting Premium Tax Credit Only for Certain Individuals.

- Modifies the “lawfully present” standard to limit ACA premium tax credit and cost-sharing reduction eligibility to those who are “eligible aliens”—aliens who are lawfully admitted for permanent residency, certain aliens who are physically present in the United States as parolees but are citizens or nationals of Cuba, and individuals who

lawfully reside in the United States in accordance with a Compact of Free Association.

- Effective for taxable years beginning after Dec. 31, 2026, and plan years beginning on or after Jan. 1, 2027.
- Revenue estimate: \$67.2 billion revenue gain.

Section 112102. Certain Aliens Treated as Ineligible for Premium Tax Credit.

- Further modifies the “eligible aliens” definition to exclude aliens who have been granted asylum or have a pending application for asylum, aliens who have been granted parole, aliens who have been granted temporary protected status, aliens who have been granted deferred action or deferred enforced departure, or aliens who have been granted withholding of removal.
- Effective for taxable years beginning after Dec. 31, 2026.
- Revenue estimate: Estimate included with Section 112101.

Section 112103. Disallowing Premium Tax Credit During Periods of Medicaid Ineligibility Due to Alien Status.

- Eliminates the exception that allows lawfully present aliens who report income below 100% of the federal poverty level and are in their five-year Medicaid waiting period because of their immigration status to receive premium tax credits.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$49.7 billion revenue gain.

Section 112104. Limiting Medicare Coverage of Certain Individuals.

- Limits Medicare benefit coverage to U.S. citizens, aliens who are lawfully admitted for permanent residency, certain aliens who are physically present in the United States as parolees but are citizens or nationals of Cuba, and individuals who lawfully reside in the United States in accordance with a Compact of Free Association.
- Requires the Commissioner of Social Security to identify those ineligible for Medicare benefits not later than six months after date of enactment, with the notice of ineligibility required to be given and benefits terminated as of one year after date of enactment.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: *estimate to be provided by the Congressional Budget Office.*

Section 112105. Excise Tax on Remittance Transfers.

- Imposes a 5% excise tax on remittance transfers to be paid by the sender, with remittance transfer providers to collect the excise taxes, and remit such tax quarterly to the Secretary of the Treasury.
- Imposes secondary liability on remittance transfer providers for any tax that is not paid at the time of the transfer.
- Creates an exception for remittance transfers that are sent by verified U.S. citizens or U.S. nationals.
- Creates a refundable tax credit for any excise taxes required to be paid by taxpayers with valid Social Security numbers.
- Effective for transfers made after Dec. 31, 2025; the tax credit available to senders that are U.S. citizens is effective for taxable years after Dec. 31, 2025.
- Revenue estimate: \$22.2 billion revenue gain.

Section 112106. Social Security Number Requirement for American Opportunity and Lifetime Learning Credits.

- Requires a student claiming the American Opportunity Tax Credit and Lifetime Learning Credit (or a taxpayer filing on behalf of the student) to have a Social Security number in order to qualify for the credit.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$891 billion revenue gain.

PART 3 – PREVENTING FRAUD, WASTE, AND ABUSE

Section 112201. Requiring Exchange Verification of Eligibility for Health Plan.

- Requires the Exchange to verify an applicant's eligibility annually to enroll in a health plan, to receive advance payment and reduced cost-sharing, before enrolling any individual.
- Requires applicable enrollment information to be provided or verified by the applicant, including income, any immigration status, any health coverage status or eligibility for coverage, place of residence, family size, and any information that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, determines is necessary to verify eligibility.
- Prohibits passive reenrollment.
- Effective for taxable years beginning after Dec. 31, 2027.
- Revenue estimate: \$41.3 billion revenue gain.

Section 112202. Disallowing Premium Tax Credit in Case of Certain Coverage Enrolled in During Special Enrollment Period.

- Prohibits premium assistance tax credits or advance payment of premium assistance tax credits for special enrollment periods tied to household incomes as a percentage of the poverty line.
- Restricts the receipt of premium assistance credits (and advance payments) to individuals who enroll in health coverage (through an exchange) to those who do so based on qualifying events or change in circumstances.
- Effective for plans enrolled in during calendar months beginning after the third calendar month ending after date of enactment.
- Revenue estimate: \$41.0 billion revenue gain.

Section 112203. Eliminating Limitation on Recapture of Advance Payment of Premium Tax Credit.

- Removes the caps on the amount of excess advance premium tax credit payments that the IRS can recoup from a taxpayer when, at the end of a year, the amount of advance payments the taxpayer received ultimately exceeded the amount of premium tax credits to which the taxpayer was entitled.
- Effective for taxable years beginning after Dec. 31, 2025.
- Revenue estimate: \$19.5 billion revenue gain.

Section 112204. Implementing Artificial Intelligence Tools for Purposes of Reducing and Recouping Improper Payments Under Medicare.

- Requires the Secretary of Health and Human Services (HHS), not later than Jan. 1, 2027, to implement artificial intelligence (AI) tools, thorough AI contractors and data scientists, to examine Medicare improper payments and recoup overpayments.

- Requires the Secretary of HHS to report to Congress annually, beginning not later than Jan. 1, 2029, on opportunities for further reducing improper payments and the total dollar amount of improper payments recouped. If the rate of improper payments have not been reduced by 50% year over year, the Secretary of HHS shall describe the reasons for such failure.
- Provides \$25 million in funding for the Centers for Medicare & Medicaid Services.
- Effective for implementation of AI tools not later than Jan. 1, 2027.
- Revenue estimate: *Estimate to be provided by the Congressional Budget Office.*

Section 112205. Enforcement Provisions with Respect to COVID-Related Employee Retention Credits.

- Defines an ERTC promoter as any person who provides aid, assistance or advice related to an affidavit, refund, claim or other document concerning an ERTC, if:
 - The person meets the materiality standard—meaning more than 20% of their gross receipts in a year come from ERTC-related services and they charge fees based on the size of the refund or credit; or
 - The person meets the gross receipts test—meaning more than 50% of their revenue comes from ERTC-related services, or those services account for over 20% of their revenue and exceed \$500,000 (certified PEOs are excluded).
- Increases the penalty for ERTC promoters under section 6701 to the greater of \$200,000 (\$10,000 for individuals) or 75% of the promoter's gross income from ERTC-related services, and applies retroactively to actions taken since the ERTC was enacted.
- Requires ERTC promoters to meet due diligence requirements regarding a taxpayer's eligibility for or amount of the ERTC, with a \$1,000 assessable penalty for each failure to comply.
- Establishes a "knows or has reason to know" threshold for failure to meet due diligence standards with respect to aiding and abetting penalties on understatements of tax liability after the date of enactment.
- Provides a 90-day grace period after the date of enactment for ERTC promoters to comply with new disclosure and list-keeping requirements for pre-enactment activities, without imposing duplicative reporting for obligations already required under existing law.
- Bars ERTC refunds or credits after the date of enactment unless the original claim was filed by Jan. 31, 2024, while allowing amended claims that reduce excessive amounts to be treated as part of the timely original filing.
- Extends the ERTC statute of limitations to six years after the latest of the original return filing date, the deemed filing date under current law, or the date the ERTC claim is submitted.
- Effective as of the date of enactment, with exceptions:
 - Penalty changes apply retroactively to aid provided after March 12, 2020;
 - Due diligence rules apply prospectively;
 - No ERTC refunds are allowed after the date of enactment unless filed by Jan. 31, 2024; and
 - The extended statute of limitations applies to assessments made after the date of enactment.
- Revenue estimate: \$6.2 billion revenue gain.

Section 112206. Earned Income Tax Credit Reforms.

- Directs the Secretary of the Treasury to establish a certification program to claim the Earned Income Tax Credit (EITC) and prevent multiple taxpayers from claiming the same qualifying child for EITC purposes.
- Requires IRS notices to taxpayers under the certification program if multiple taxpayers attempt to claim the same child in a given tax year. If the taxpayers attempt the same action the following year, they will be given a notice disallowing their EITC claims unless the taxpayer responds to the notice with documentation proving evidence of eligibility, or unless the Secretary of the Treasury can establish which taxpayer can claim the qualifying child.
- Provides transition rules under the program for taxable years 2025, 2026 and 2027, with the program scheduled to be fully operational for tax years beginning after 2027.
- Creates a task force for the purposes of researching how to improve the administration of the EITC, including verifying income and using automated databases to reduce improper payments, fraud and abuse.
- Increases the maximum EITC amount for Purple Heart recipients.
- The proposal establishing the certification system is effective for tax years beginning after Dec. 31, 2024; creation of the task force is effective on the date of enactment; and increased EITC for Purple Heart recipients is effective for tax years beginning after Dec. 31, 2025.
- Revenue estimate: \$15.2 million revenue gain.

Section 112207. Task Force on the Termination of Direct File.

- Terminates the IRS Direct File Program, through which the IRS prepares and files tax returns for eligible taxpayers.
- Requires a report to Congress on the feasibility of enhancing the existing IRS Free File Program, a public-private partnership through which the lowest 70% of income earners are eligible for free preparation and filing of their federal income tax return.
- Effective on the date of enactment.
- Revenue estimate: *Negligible revenue effect.*

Section 112208. Postponement of Tax Deadlines for Hostages and Individuals Wrongfully Detained Abroad.

- Directs the IRS to disregard the time during which an applicable individual is held hostage or wrongly detained abroad for purposes of determining whether a taxpayer filed their return, paid income tax or filed a claim for credit or refund of any tax.
- The proposal providing prospective relief is effective for taxable years ending after the date of enactment; and refund and abatement of penalties and fines are effective for taxable years beginning Jan. 1, 2021, and ending on or before the date of enactment.
- Revenue estimate: *Negligible revenue effect.*

Section 112209. Termination of Tax-Exempt Status of Terrorist Supporting Organizations.

- Allows the Secretary of the Treasury to suspend the tax-exempt status of an organization that has provided more than a minor amount of material support or resources to a listed terrorist organization during the three years prior to its designation as a listed organization.

- Provides 90 days' notice and an opportunity to cure (to the Secretary's satisfaction) prior to suspension.
- Excludes any support to a listed organization if that support was approved by the Secretary of State (with concurrence of the Attorney General) or was part of humanitarian aid approved by the Office of Foreign Assets Control.
- Allows the suspension to be lifted only when the supported terrorist organization is delisted.
- Effective for designations made after the date of enactment in taxable years ending after such date.
- Revenue estimate: *Negligible revenue effect.*

Section 112210. Increase in Penalties for Unauthorized Disclosures of Taxpayer Information.

- Increases the maximum fine under the Internal Revenue Code for the unauthorized disclosure of taxpayer information to \$250,000 and increases the maximum term of imprisonment to 10 years.
- Clarifies that, for a willful disclosure, a separate violation occurs with respect to each taxpayer whose return or return information is disclosed.
- Effective for disclosures made after the date of enactment.
- Revenue estimate: *Negligible revenue effect.*

Section 112211. Restriction on Regulation of Contingency Fees with Respect to Tax Returns, etc.

- Restricts the Treasury Department from regulating, prohibiting or restricting the use of contingency fees in connection with tax returns, claims for refund or documents in connection with tax returns prepared on behalf of a taxpayer.
- Effectively ends the Circular 230 rule that prohibited most tax preparation services from being performed on a contingency fee basis.
- Effective on the date of enactment.
- Revenue estimate: *Negligible revenue effect.*

Subtitle D – Increase in Debt Limit

Section 113001. Modification of Limitation on the Public Debt.

- Increases the statutory debt limit by \$4 trillion.
- Revenue Estimate: *No revenue effect.*

THIS DOCUMENT IS INTENDED TO PROVIDE YOU WITH GENERAL INFORMATION REGARDING THE 2025 TAX BILL. THE CONTENTS OF THIS DOCUMENT ARE NOT INTENDED TO PROVIDE SPECIFIC LEGAL ADVICE. IF YOU HAVE ANY QUESTIONS ABOUT THE CONTENTS OF THIS DOCUMENT OR IF YOU NEED LEGAL ADVICE AS TO AN ISSUE, PLEASE CONTACT THE ATTORNEYS LISTED OR YOUR REGULAR BROWNSTEIN HYATT FARBER SCHRECK, LLP ATTORNEY. THIS COMMUNICATION MAY BE CONSIDERED ADVERTISING IN SOME JURISDICTIONS.